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ABSTRACT

This instructor's guide is designed to be used in a seminar to explore the personal aptitude and skills required in entrepreneurship and to provide general and specific information about recognizing and overcoming the problems associated with beginning a new business. Addressed in the individual chapters are the following topics: the scope of small businesses (the elements, advantages, disadvantages, role, and major fields of small businesses); aspects of entrepreneurship (the advantages and shortcomings of being an entrepreneur and the traits and characteristics of successful entrepreneurs); development of a successful entrepreneurial enterprise (economic conditions, ideas for entrepreneurial opportunities, ways to become an entrepreneur, and business failure); preparing a business plan (reasons for a business plan, the content of a business plan, identification of a business, market area, competition, financing, legal issues, location, and personnel); managing the enterprise (the planning, organization, direction, control, finance, accounting, and bookkeeping functions of business management; business and community; and business ethics); and resources for the small business. The guide includes a time allocation plan; lists of entrepreneurial, general, managerial, marketing and sales, and accounting and financial competencies; a detailed outline of the content to be presented during each lesson; teaching tips for use in delivering the instructional text; worksheets; transparency masters; and discussion questions. (MN)

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INSTRUCTOR'S GUIDE

PROGRAM: Marketing and Distributive Education **UNIT TITLE:** Entrepreneurship

MODULE TITLE: Starting and Managing Your Own Business in the 80's **MODULE NO.** _____

INTRODUCTION:

Many special qualities and skills are required of the entrepreneur. This module is designed to be used in a seminar to explore the personal aptitude and skills required in entrepreneurship and to provide general and specific information about recognizing and overcoming the problems associated with beginning a new business.

PERFORMANCE OBJECTIVES:

1. To explore the nature of entrepreneurship, as a career alternative to employment in a large organization, and to examine your personal aptitudes and inclinations relative to this alternative.

2. To provide both general and specific information on the nature of problems involved in the establishment of a new business enterprise. Specific help in recognizing and overcoming these problems is also to be included within the course.

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Learning Groups Designed For:

- ✓ **Adult**
- _____ **Special Needs**
- _____ **Secondary**
- ✓ **Post Secondary**

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Specializing in the development of Mediated Instructional Materials

Dear Instructor:

This instructor's manual was prepared with the intent of assisting the individual in exploring the nature of entrepreneurship and providing information on the establishment of a new business venture. The instructor of this course must have already completed the course to gain a complete understanding of the concept and its many parts. Course content appears on the left-hand side of each page and appropriate teaching tips appear in the right-hand column. The instructor's manual should be followed in the designed procedure to achieve the course goals.

1. Familiarize yourself with all the concepts which serve as a foundation for this course.

2. Manage your time carefully as you proceed through the course. A time chart has been designed and inserted into the instructor's manual. These time subdivisions will provide you with guidelines for the minimum and maximum time to be spent on each section.

3. Select the instructional facility with care. Be sure the facility you select is appropriate for the adult learner. It is important to select a room that is large enough to prevent crowded conditions and that is comfortable. The lighting and sound acoustics of the room must be appropriate for maximizing the benefit from the audiovisual aids. The selected classroom should be easily accessible both for you and your equipment, as well as the class members.

4. Maintain a dialogue with class members throughout the course. It is important to establish and maintain good rapport with the class members to assure good participation.

5. After each session distribute the prepared evaluation form to the class members and have them complete the form and return it to you before leaving the session.

   Use the information gained from the session evaluation form to adjust and/or modify the next session to answer the questions that were raised in the session evaluation form.

   A final course evaluation form is provided for the class members and should be used at the end of the last session.

Thank you for completing the Starting and Managing Your Own Business instructor certification course. May you achieve positive success in teaching this adult course.

Outline For Entrepreneurship

STARTING AND MANAGING YOUR OWN BUSINESS IN THE 80'S

Introduction

PART I. THE SCOPE OF SMALL BUSINESSES
- A. Defining a small business
- B. The elements of a small business
- C. Advantages and disadvantages of small businesses
- D. Role of small businesses
- E. Major fields of small businesses

PART II. ASPECTS OF ENTREPRENEURSHIP
- A. Entrepreneurship defined
- B. Advantages of being an entrepreneur
- C. Shortcomings of entrepreneurship
- D. Traits and characteristics of successful entrepreneurs

PART III. DEVELOPMENT OF A SUCCESSFUL ENTREPRENEURIAL ENTERPRISE
- A. Economic conditions
- B. Developing ideas for entrepreneur opportunities
- C. Ways to become an entrepreneur
- D. Business failure

PART IV. PREPARING A BUSINESS PLAN
- A. Reasons for a business plan
- B. Content of a business plan
- C. Identification of a business
- D. Market area
- E. Competition
- F. Financing
- G. Legal Issues
- H. Location
- I. Personnel

PART V. MANAGING THE ENTERPRISE
- A. Planning function
- B. Organizing function
- C. Directing function
- D. Controlling function
- E. Finance, accounting, bookkeeping function
- F. Business and community
- G. Business ethics

PART VI. RESOURCES FOR THE SMALL BUSINESS
- A. Available resources
- B. Summary

TIME ALLOCATION PLAN
FOR

STARTING AND MANAGING YOUR OWN
BUSINESS IN THE 80'S

Topic	Minimum Time (minutes)	Maximum Time (minutes)
Introduction		
PART I. THE SCOPE OF SMALL BUSINESSES	30	50
A. Defining a small business		
B. The elements of a small business		
C. Advantages and disadvantages of small businesses		
D. Role of small businesses		
E. Major fields of small businesses		
PART II. ASPECTS OF ENTREPRENEURSHIP	40	60
Slide Show Segment I		
A. Entrepreneurship defined		
B. Advantages of being an entrepreneur		
C. Shortcomings of entrepreneurship		
D. Traits and characteristics of successful entrepreneurs		
PART III. DEVELOPMENT OF A SUCCESSFUL ENTREPRENEURIAL ENTERPRISE	40	60
A. Economic conditions		
B. Developing ideas for entrepreneur opportunities		
C. Ways to become an entrepreneur		
D. Business failure		

PART IV.	PREPARING A BUSINESS PLAN	75	120
	Slide Show Segment II		
	A. Reasons for a business plan		
	B. Content of a business plan		
	C. Identification of a business		
	D. Market area		
	E. Competition		
	F. Financing		
	G. Legal issues		
	H. Location		
	I. Personnel		
PART V.	MANAGING THE ENTERPRISE	45	70
	Slide Show Segment III		
	A. Planning function		
	B. Organizing function		
	C. Directing function		
	D. Controlling function		
	E. Finance, accounting, bookkeeping function		
	F. Business and community		
	G. Business ethics		
PART VI.	RESOURCES FOR THE SMALL BUSINESS		
	A. Available resources		
	B. Summary		
	TOTAL	4 Hours	6 Hours

ENTREPRENEURIAL COMPETENCIES

"Starting and Managing Your Own Business in the 80's" is a competency based adult instructional program. Our goal is to develop the following competencies:

GENERAL COMPETENCIES

1. Knowledge of various types of ownership (proprietorship, partnership, corporation).
2. Understanding the basic steps involved in starting a small business.
3. Awareness of facilities available for supplying information on starting a small business (government agencies, trade association resources).
4. Understanding the development of organizational structure.
5. Understanding the various terms of occupancy.
6. Ability to determine causes for failure of similar small businesses.
7. Ability to determine sources of capital.
8. Understanding of factors involved in the decision to grant credit.
9. Understanding of federal and state regulations.
10. Awareness of the existence and appropriate use of professional consultants (lawyer, banker, accountant, SBA, insurance agent, advertising agent).
11. Understanding various types of insurance and the application of each type.
12. General knowledge of the total business or industry which is being entered.
13. Knowledge of importance of general location–space, parking, traffic flow, and convenience.

MANAGERIAL COMPETENCIES

14. Understanding the components of short and long range planning.
15. Acquisition of management and supervisory skills–organizing, controlling, directing, planning, and delegating.
16. Ability to self-evaluate personal skills, knowledges and abilities.
17. Understanding the importance of time management and job demands.

18. Realization of the impact of job demands on home and family.

19. Awareness of factors involved in human relations.

20. Knowledge of employee training and development.

21. Knowledge of unemployment and workmen's compensation.

22. Familiarity with interviewing, hiring, and firing of employees.

MARKETING AND SALES COMPETENCIES

23. Ability to determine the extent of the product market.

24. Familiarity with budgeting and forecasting.

25. Ability to determine current and future trends in the product market.

26. Ability to determine and interpret factors which indicate extent and strength of competition.

27. Knowledge of customer's needs.

ACCOUNTING AND FINANCIAL COMPETENCIES

28. Knowledge of accounts receivable and accounts payable.

29. Understanding the various methods of obtaining credit.

30. Familiarity with federal, state, and local taxes.

Source: (Adopted from) Bettencourt, Elaine. COMPETENCIES VALIDATED FOR ENTREPRENEURIAL TRAINING OF SECONDARY VOCATIONAL STUDENTS. Doctor's thesis, New Brunswick, N.J.: Rutgers State University, 1980. pp. 66-69.

CONTENT	TEACHING TIPS
Introduction:	
1. Extend a warm welcome to each class member.	Greet class members as they enter the classroom. Shake hands with each person and introduce yourself.
2. Tension reduction activities.	
a. Thank class members for attending.	Extend a warm, sincere thank you to the group. Compliment the class members for returning to the classroom.
b. Introduce yourself.	Tell the class a few things about your current position, your educational background, your work experience and your preparation to teach this course. Explain that you received certification training from the University of Missouri-Columbia.
c. Introduction of class members	To build group cohesiveness in a hurry, divide class into pairs. (Try to match people who do not know each other.) Encourage each person to find out some interesting things about the new partner. After about five minutes have passed, let each person introduce their new partner. This activity should create a more informal climate in the classroom.
d. Complete enrollment form.	Distribute the Enrollee Information Form. Explain that the purpose of this form is to help you get better acquainted with each class member.
3. Preview the course objectives.	
Objective 1: To explore the nature of entrepreneurship, as a career alternative to employment in a large organization, and to examine your personal aptitudes and inclinations relative to this alternative.	Show Transparency Number 1.
Objective 2: To provide both general and specific information on the nature of problems involved in the establishment of a new business enterprise. Specific help in recognizing and overcoming these problems is also to be included within the course.	
4. Provide a preview of Part I, II, III, IV, V, and VI.	
Part I: An examination of what is a small business and their role in the private free enterprise system. Major fields of small business operations will be discussed.	
Part II: Successful entrepreneurs have certain traits and characteristics that can be identified. Part II will examine these competencies and provide you an opportunity to measure your potential.	
Part III: We will examine ways of developing ideas for entrepreneural opportunities and discuss current trends in the market place.	

CONTENT	TEACHING TIPS

Part IV: The elements of an effective business plan will be discussed. The purposes of a business plan are to help the potential entrepreneur to think through his/her anticipated venture and evaluate its strengths and weaknesses.

Part V: Managing the enterprise will be discussed in this part. Managing involves getting all parts of the business to function together to achieve the goals set forth by the entrepreneur.

Part VI: Additional resources and assistance that are available to the entrepreneur will be examined in this part.

Part I: The Scope of Small Business

A. DEFINING A SMALL BUSINESS

1. The Committee for Economic Development (CED) defines a small business as having any two of the following characteristics:

   a. Management is independent. Usually the managers are also owners.

   b. Capital is supplied and ownership is held by an individual or a small group.

   c. The area of operations is mainly local. Workers and owners are in one home community.

   d. The business is small when compared to the biggest units in its field. The size of the "large" firm varies greatly, so that what might seem large in one field would be considered small in another.

These characteristics may vary depending on the particular situation.

Worksheet Number 1:
Distribute EVALUATION OF SMALL BUSINESS PERCEPTIONS (ESBP). Have class members complete the worksheet. This worksheet will be referred to during the first three parts of this course. The instructor should refer to the SMALL BUSINESS PERCEPTIONS RATING GUIDE during discussion of the ESBP.

Question:
What is a small business? Small versus large businesses?

Show Transparency Number 2.

Note:
Refer class members to questions 1-3 in ESBP.

CONTENT	TEACHING TIPS
B. THE ELEMENTS OF SMALL BUSINESSES Small businesses, although difficult to define, will generally have the following characteristics: 1. Independently owned. The vast majority of small businesses are owned and operated by only a few people (i.e. family or partners). 2. Relative small size within industry or area standards. A small business is one which is not dominant in their respective field of operation. 3. Small business predominates the retailing, wholesaling, and service industries. The vast majority of small business falls in one of these three categories. 4. The owners supply the money to organize the business. Small businesses are generally financed by the owner/operator who has the responsibility of arranging financing, making business contacts, and organizing business operations. 5. Small businesses primarily serve a neighborhood/local territory. A small business will usually have many competitors even within a small area. 6. The owner/operator often initiated the business or inherited a family owned business. 7. The small business owner/operator is often involved in every aspect of day-to-day business operations. 8. The small business owner/operator interacts with his/her employees, suppliers, and customers in a way no large corporations could. 9. The small business owner is generally involved in local community affairs and holds prestigious positions in his or her community.	Show Transparency Number 3.

CONTENT	TEACHING TIPS

10. Small businesses are deeply rooted in the communities, regions, and neighborhoods providing a vital source for jobs and economic growth.

11. Small businesses enhance the lifestyles of communities by providing the diversity of their products and services.

Note:
Refer class members to question 4 in ESBP Worksheet Number 1.

C. ADVANTAGES AND DISADVANTAGES OF SMALL BUSINESSES

Show Transparency Number 4.

1. Advantages of Small Business Operations

a. Personal scale of business operations.

A small business owner generally lives in the region or neighborhood and actually shares the same concerns and interests as the customers. This personal scale of business is a major factor in the establishment and retention of customers and a motivator for some to consider small business ownership.

b. Small businesses can adapt quickly to change.

When changes become imperative many large firms are caught "holding the bag." The investment and planning involved in changing a process or procedure restricts the flexibility and willingness to adapt quickly to new innovations. On the other hand, small businesses can move quickly and are less restricted to the status quo.

c. Small businesses have relatively lower taxes.

Small businesses can often take advantage of tax incentives offered to small businesses. The reasons for these tax incentives are two fold: first, government recognizes the importance of small busi-

CONTENT	TEACHING TIPS

ness to the economy, and secondly the government recognizes the need for small business growth and development.

d. Less restrictive government regulations.

In addition to certain tax incentives small businesses are often restricted by government regulation compared to large corporations which are sometimes highly regulated.

e. The small business operates independently.

The success of many small businesses have been their ability to make decisions quickly and independently. Many small businesses can investigate and take action in a very short time because they are independent of higher management.

Question:
Can you think of any other advantages for small businesses?

2. Disadvantages of Small Business Operations

Show Transparency Number 5.

a. The lack of specialized management.

The small business operator is often "a Jack of all trades and a master of none." Large firms have the advantage of having one specialized manager/employee in charge of taxes, another in charge of financing, inventory, purchasing, etc., while the small business does not.

b. Small businesses generally have a shortage of working capital.

Small businesses in general, are thinly capitalized and characteristically have narrow profit margins. Unexpected debts and/or seasonal variations will cause working capital to be depleted. If working capital is not sufficient enough to get a business through lean periods failure may soon follow, whereas large corporations can generally wait out the bad times until business profits strengthen.

CONTENT	TEACHING TIPS
c. Small businesses find it more difficult to obtain financing. Large firms have an additional advantage when it comes to financing. With thousands of shareholders and large amounts of cash floating between investments, suppliers, employees, and others, banks are generally eager to handle the financing in the hope of additional business. Small business owners on the other hand must rely on their individual credibility and equity. d. Small businesses can rarely afford extensive market research. Small businesses are generally restricted in terms of research and development. Businesses which attempt such endeavors are generally working in an area without the benefit of trained individuals, therefore the results of market analysis and/or other outcomes can be unreliable. e. Small businesses generally have difficulty competing with the economics of scale. There is an advantage to being large in certain areas of business. The principle of "economics of scale" explains the reason why large companies often can manufacture or distribute some products more efficiently and cheaper than small businesses.	**Discussion Point:** These are in reality not disadvantages as much as they are hurdles. The challenge facing any small business is to overcome these hurdles by understanding the problems and striving to overcome these shortcomings. **Note:** At this point, systematically go through each of the disadvantages and discuss with class members ways in which a small business could overcome the disadvantages. **Note:** Refer class members to questions 5 and 6 in ESBP.

CONTENT	TEACHING TIPS

D. ROLE OF SMALL BUSINESS

The importance and contribution of small business can be traced from colonial America, where virtually all businesses were small, to today where small businesses continue to play a major role in the U.S. economic system. This section will discuss some of the more important contributions of small business to the economy and society.

1. Small Businesses Distribute Most of the Products Made by Large Manufacturers to the Ultimate Consumer.

   Even though a great many products are manufactured by large companies, products will often be sold to the consumer through a small business. In many cases the small firm is able to market the products of manufacturers more efficiently and more effectively. The auto dealer, the farm and home store, and the lumber yard are able to personalize and react to the needs of the consumers better than a large company.

2. Provides Goods and Services to Larger Businesses

   Many of the large manufacturers require components made by small enterprises. This partnership between big business and small firms is vital to the economic system and highlights the role of small business within the total U.S. economic system.

3. Performs Certain Services Better Than Larger Firms

   Services that require personal contact with customers are often serviced better by a small business than by a larger firm. Some customers need and want the attention and personal contact that is offered by a small business, thus small businesses are better suited to certain types of business endeavors than larger firms.

Question:
Do you see any evidence of the increasing or decreasing importance of small business in this country?

Show Transparency Number 6.

Show Transparency Number 7.

CONTENT

4. Maintains and Repairs Consumer Products

   Many manufacturers need small businesses to maintain and repair their products. Many customers would much rather take a product to the local repair shop as opposed to sending the item back to the factory. This is done generally quicker and more efficiently than by large firms.

5. Generates New Ideas and Serves for Better Products

   Small businesses are responsible for the development of many inventions that have led to new and better products or services. Although large sums of money are being devoted to research and development of new and better products by large corporations, the grass roots approach of small firms seems to be best suited for the invention of certain products and processes. Many products of today came out of the foreseen need by a small businessman.

6. Essential to Maintain a Free and Competitive System

   Small businesses play a major role in combating inflation through competition. Small business serves as a check and balance to larger firms, thus giving consumers more alternatives and increases the need for a productive, efficient, and responsive marketplace.

7. Upgrade the Quality of Life

   Small businesses, along with the forementioned qualities, contribute to the economic growth through their investments and employment in local communities. The grass roots approach of operations and the diversity of their products/services have added to the overall quality of life.

TEACHING TIPS

Note:
Refer class members to questions 7-10 in ESBP.

Discussion/Question:
Have class members react to the following statement. "All small businesses should be closed down immediately for the sake of the economy. Small businesses are less efficient than large businesses and add very little to the growth of the economy."

CONTENT	TEACHING TIPS

E. MAJOR FIELDS OF SMALL BUSINESSES

The major fields of business can be classified into five categories: (1) Extractive, (2) Manufacturing, (3) Wholesaling, (4) Retailing, and (5) Services.

1. Extractive Enterprises

   This involves the actual production or extraction of raw materials from where they are found in nature. Mining, forestry, agriculture, and commercial fishing are examples of the industries which are considered extractive. Examples of extractive small businesses are: coal mining, horticulture shops, orchards, and cutting firewood.

2. Manufacturing

   This field involves the altering of raw materials into a form that consumers can use. Although manufacturing is often associated with big businesses, many small businesses are manufacturers. A few examples of small business which manufacture are: craft shops, cabinet makers, jewelry makers, bakeries, and machine shops.

3. Wholesaling

   The wholesaler buys the products from the extractive enterprises and manufacturers to sell primarily to retailers. Wholesalers often specialize in distributing their products, for example, some wholesalers sell only to auto parts stores while others sell to hospitals and yet another would cater to the needs of schools. Some examples of wholesalers are: office equipment distributors, steel suppliers, shop equipment wholesalers, and grocery and produce wholesalers.

Note:
Give examples of each enterprise/fields of businesses as they are discusssed.

Show Transparency Number 8.

CONTENT	TEACHING TIPS
4. Retailing This involves the buying from wholesalers, manufacturers, and extractive enterprises for sale to the consumer. Retailing is the most common form of small business operation. Nearly 1/4 of all non-agricultural small businesses are in retail trade. There are four classifications of retailers. a. Over the counter This type of retailer sells to the consumer primarily what is in stock. This is the most common type of retailing. Customers view goods or products in the store and primarily purchase items off the shelf. Examples of over-the-counter retailers are: drug stores, clothing stores, record shops, hobby shops, and jewelry stores. b. Mail-order This type of retailer sells goods by mail through the use of catalogs or advertisements. These retailers are often seen in the back of trade journals advertising their specialized products which may be purchased over the telephone or through the mail. These products cannot actually be seen by the prospective buyer until shipment arrives. Examples of mail-order retailers are: hobby suppliers, needlework and sewing suppliers, camping equipment, and gourmet foods and spices. c. Direct This type of retailer, better knowh as a "door to door" salesperson, solicits sales by going to each prospective customer's home to sell products or services, or the prospective customers' may meet in a group setting to view the products or ser-	Show Transparency Number 9.

CONTENT	TEACHING TIPS
vices. Some examples of items sold door-to-door are cosmetics and household products.	
d. Vending This type of retailer uses machines to dispense the products to the consumer. Vendors are essentially wholesalers that warehouse their products and routinely service vending machines. Vending is successfully used where the conveniences of over-the-counter are not available and where the hours of operation make vending profitable.	
5. Services This type of field involves the rendering of some service to the consumer for which the business receives compensation. Services are generally the least expensive and easiest form of business to enter. The service industries consist of nearly 1/3 of all small non-farm businesses. Services can be categorized into five groups.	Show Transparency Number 10.
a. Personal These are services commonly performed directly for the consumers. Examples of personal services are baby sitting, barber shops, and travel agencies.	
b. Business These are services performed by one business for another. Examples of these services would be building maintenance, lawn services, advertising, tax consultants, and security firms.	
c. Repair These are tasks performed on goods owned by the customer. Examples of re-	

CONTENT	TEACHING TIPS

pair services are tire services for farms, small engine repair shops, appliance repair, and plumbers.

d. Entertainment/recreation

These businesses serve to entertain and provide recreation to customers. Examples of entertainment/recreation services are skating rinks, parks and playgrounds, swimming pools, ski resorts, theaters, and night clubs.

e. Hotel/lodging services

These services provide lodging for persons either for business or pleasure. Examples of hotel and lodging services include country club resorts and hotels, fishing lodges, lake side cabins and resorts, and motels near airports, interstate travel and metropolitan areas.

SUMMARY

The above fields of business indicate the scope of small businesses and strengthen the argument for their importance. The foundation for small business success and its continued importance lies in the hands of those operating the businesses. The next section will focus on the person and the competencies of successful small business owners.

Note:
Refer class members to question 11 in ESBP.

The slide show entitled "Starting and Managing Your Own Business in the 80's" is divided into three segments. We will show one segment at a time. Upon completion of each segment we will pause to discuss key points and provide further in-depth information.

The showing of each segment should be preceded by a brief introduction. Tell class members not to take notes while the slides are being shown. Be sure the room is dark before turning on the slide projector. Turn the projector off when slide number 23 appears on the screen. This slide features an hourglass.

As you view segment one, pay special attention to these things:

a. The special qualities and skills required of an entrepreneur.

b. The advantages and shortcomings of being an entrepreneur.

CONTENT	TEACHING TIPS
c. The major causes of business failure.	Show Slide Segment One (Slides 1-23).
Part II: Aspects of Entrepreneurship	
A. ENTREPRENEURSHIP DEFINED "The act of creating a new enterprise or business."	Show Transparency Number 11.
B. ADVANTAGES OF BEING AN ENTREPRENEUR Those who have made the decision to become an entrepreneur usually find their prime motivator to be the following reasons.	**Question:** What is the major reason why you are considering entering into the small business field and becoming an entrepreneur?
1. Personal Satisfaction One of the attributes of being your own boss is the freedom of choice. This allows you to make decisions, regarding operation and management, and to accept full responsibility for the outcomes. This results in personal satisfaction which may not be as great when working for someone else.	Show Transparency Number 12.
2. Independence The entrepreneur is solely responsible for managing and making decisions. This additional freedom to act and react to instances affecting their business makes entrepreneurship an attractive endeavor.	
3. Profit A prime motivation to become an entrepreneur is the prospect and expectation of a financial gain. The opportunity of operating a financially successful business is a luring factor for prospective entrepreneurs.	
4. Job Security The assurance of employment, not being laid off or fired, and not being transferred are factors that contribute to job security and pursuit of entrepreneur activities.	

CONTENT	TEACHING TIPS

5. Status

The owning and operating of one's own business is a position highly respected in communities. In addition to the other factors, the social status and pride in ownership make entrepreneurship a desirable endeavor.

C. SHORTCOMINGS OF ENTREPRENEURSHIP

1. Possible Loss of Invested Capital

Any entrepreneurial activity that operates for profit in the free enterprise system inherits the risk of losing invested capital and possibly becoming bankrupt.

2. Uncertain or Low Income

There are no guarantees in owning and operating a business. There are no set salaries because the business is subject to the fluctuations and uncertainties of the market. This uncertainty can result in both economic and mental anguish.

3. Long Hours

The responsibilities of ownership are not restricted to the forty hour week. There are no time clocks, and the owner is often the first to arrive and the last to leave. Weekends, late nights, and odd hours may be needed in certain fields of business, and the entrepreneur must be able to adapt to the customer's convenience and the infringement on personal time.

4. Routine Chores

An entrepreneur must be able to take the good with the bad and therefore some activities may be very laborious and boring which may be an inherent characteristic to that particular small business.

Discussion Point:
With the knowledge of the advantages of being an entrepreneur one needs to be aware of the possible disadvantages. Understanding both advantages and disadvantages, one can take appropriate action to guard against poor business performance.

Show Transparency Number 13.

CONTENT	TEACHING TIPS
5. Lifestyle Changes An entrepreneur must be able to adapt to many new changes. A small business can be very time consuming, it may be demanding on family life, and may cause a stress in finances.	
D. TRAITS AND CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS	**Note:** Refer class members to questions 12-16 in ESBP.
Although many small businesses have been huge successes, there are many others with either marginal success or even failure. One reason for failure is the inability of entrepreneurs to realize their own shortcomings and to take measures to alleviate these shortcomings. The traits and characteristics most associated with successful entrepreneurs can be categorized into eight groups.	**Worksheet Number 2:** Distribute worksheet entitled ENTREPRENEUR CHECKLIST. Have class members answer the questions to determine their personal qualities. Remind class members that this checklist is for their use only and encourage class members to answer openly and honestly. Provide checklist analysis to class members.
1. Organizing Ability The ability to organize is of major importance. To be able to manage efficiently, process orders, maintain an effective information processing system, manage collections, bidding, payments and payroll are all organizing abilities and are characteristic of successful entrepreneurs.	Show Transparency Number 14.
2. Technical Knowledge/Training and Experience The most important and basic of all skills is to have adequate knowledge and skills to ensure necessary quality and quantity of production. The lack of sufficient technical knowledge and/or skills is the major cause of business failure today. A business is doomed from the start if a person lacks experience and business knowledge.	

CONTENT

TEACHING TIPS

3. Drive, Enthusiasm, and Determination

   The "doers" in business are generally the most successful of all the entrepreneurs. Hard work combined with drive and enthusiasm almost always ensure success. The aggressive entrepreneur is generally willing to go the extra effort to ensure success. This drive and motivation generally contribute to better quality and quantity of output. The laissez-faire attitude has little chance of competing with businesses with more enthusiasm and determination in their business.

4. Problem Solving

   The decision making process is an everyday skill. The effective decision maker will evaluate the situation and react to any problem that is deemed necessary. An entrepreneur who "sits on an idea" will likely be losing precious time in the game of ever changing operations and fads. The problem solving process comes natural when time is taken to analytically evaluate the alternatives and react to the best possible alternative.

5. Human Relations Ability

   Although often overlooked, the ability to interact with people, whether they are employees, customers, friends or suppliers, serves to compliment other entrepreneur attributes. This is another important characteristic of successful entrepreneurs.

6. Communications Ability

   Closely related to the ability to interact with people is the ability to communicate, to motivate others, and to convey items of importance in a concise manner. This can be one of he more valuable skills, depending on the given entrepreneur activity.

CONTENT

TEACHING TIPS

7. Creativity

   Creativity involves the ability to take old practices, items, or processes and alter or develop new ideas or items. Creative people are observant and analytical, with a willingness to change. The creative entrepreneur is always seeking out ideas and thinking of alternative ways to improve. Creative people are more likely to succeed versus those who depend on luck or chance.

8. Willingness to Take Moderate Risks

   Risk taking is inevitable to any true entrepreneur and the fact that one is entering or operating a business makes them a risk taker. The willingness to take a calculated risk is a desirable attribute to have for an entrepreneur.

9. Self-Confidence

   Confidence in one's ability is essential to a successful business. Confidence comes from having all of the above mentioned qualities. Self-confidence is having the abilities, the skill, and the drive to succeed.

SUMMARY

After one has developed an understanding for what a small business is and does; what business alternatives exist; what an entrepreneur is and most importantly has compared one's own ability and personal characteristics with those of successful entrepreneurs, you are now ready to analyze business ownership and operation. The following sections will assist you in analyzing trends and providing strategies for development of a small business enterprise.

Note:
Refer class members to questions 17-23 in ESBP.

CONTENT	TEACHING TIPS

Part III: Development of a Successful Entrepreneurial Enterprise

A. ECONOMIC CONDITIONS

Show Transparency Number 15.

The first step toward being a successful entrepreneur is knowing what you're getting into. This involves knowing your prospective business and all the aspects which govern its growth and development. Factors such as the current economic conditions can predetermine the success or failure of a business. This is why prospective entrepreneurs need to be aware of those factors and use caution in developing an entrepreneurial venture.

The economic conditions will have the greatest influence in the economic development and success of a small business. There are four major economic factors that influence small businesses.

1. Inflation

   Small businesses are extremely sensitive to the market fluctuations and have little control on altering pricing in respect to current economic developments. As mentioned earlier small businesses are by nature thinly capitalized and operate on a slim profit margin; therefore, the effects of inflation can quickly weaken the economic position of a small business.

2. Interest Rates

   The effect of interest rates poses a serious problem to many small businesses. Small businesses which require large amounts of investment and operating capital are the most susceptible to the effects of high interest rates. High rates in these cases cause severe cash flow problems which are especially threatening to small businesses.

CONTENT	TEACHING TIPS
3. Availability of Capital Small businesses are somewhat handicapped in the competition for financing. The susceptibility to business failure and overall risk associated with small businesses hinders their ability to acquire funds. The overall availability of savings has served as a particular detriment to small businesses because entrepreneurs have traditionally sought to supply their financial needs through family and friends.	
4. Sensitivity to Business Cycles It is well known that businesses experience ups and downs due to the nature of the economic system. Small businesses tend to be highly susceptible to these cycles because of fewer overall resources. Therefore, downturns are more likely to cause small business failures than in larger firms which tend to "weather the storm" of poor economic periods.	Show Transparency Number 16.
SUMMARY A prospective entrepreneur must be aware of the economic conditions that will influence the growth of his/her respective business. No business is immune to the effects of the economic conditions; a thorough understanding of how these factors combine to influence your business is essential.	**Note:** Refer class members to questions 24 and 25 in ESBP.
B. DEVELOPING IDEAS FOR ENTREPRENEUR OPPORTUNITIES	Show Transparency Number 17.
1. Sources	
a. Newspapers Newspapers can provide information concerning local conditions and provide helpful ideas on the needs within a given area.	
b. Magazines	

CONTENT

TEACHING TIPS

Magazines provide a good source for helpful ideas. There are two general types of publications–special interest and trade magazines.

(1) Special Interest Magazines

Special interest magazines focus on a specific group of customers, thus providing the best outlet for ideas and trends in their areas of interest. Examples of special interest magazines include areas such as: computers, a specific sport, a craft, and other specific areas.

(2) Trade Publications

Trade magazines focus on a broader group of people. These publications have the advantage of greater circulation and distribution. The trade journals are designed mainly for the world of workers in the respective fields of interest. These are the best sources for finding new ideas and trends in a given area. Examples of trade journals would be: sporting good, automotive, agricultural, and travel journals.

c. Hobbies

Often hobbies can become a business as well as a source of pleasure. Many small businesses start in the basement or garage as a hobby and later become the primary source of income. If one has expertise regarding a given hobby, this should be considered as a money making venture.

d. Merchandise Shows

Merchandise shows are a good source of information for new ideas. A person can

CONTENT

TEACHING TIPS

not only observe and get ideas about certain enterprises but interact with persons currently involved in the field of interest. These shows are often a good way to make contacts in the field of interest. There are two principle types of merchandise shows which also parallel the types of magazines previously mentioned. They are Public shows and Trade shows.

(1) Public shows (craft and hobby shows) are special interest shows and provide information about products and people that magazines cannot communicate. Examples of these are home and garden shows, auto shows, and/or boat shows.

(2) Trade shows are similar in nature to trade journals except the goods, products and services can be seen. If the prospective entrepreneur approaches the trade show with an open mind; interacts with the people attending these shows, and is observant of trends, clientele, and needs of the area of interest; the trade show has the greatest potential for development of entrepreneurial ideas.

2. Surveys

Surveys are a method by which information can be obtained about the prospects of a successful business. Surveys can serve as an indicator of customer interest or opinions; however, interpretation of surveys must be made very cautiously. A survey can be formal or informal.

a. Formal

A formal survey may be done by gathering the desired questions and mailing them to

CONTENT

TEACHING TIPS

prospective customers or by telephoning and even by going door to door. The formal survey involves personal contact with the target audience and a structured set of questions.

b. Informal

The other type of a survey is the informal survey which can be done by observation, scanning magazines, and talking to family and friends.

It must be reminded that in either method one needs to have the questions that need to be asked well thought out to avoid lengthy questionnaires and confusing results.

3. Current Trends

Another method to develop ideas for an entrepreneurial endeavor is to be aware of the current trends of society. Fads, new technologies, population growth, and other trends can help in determining an entrepreneurial enterprise.

Current trends can be divided into two parts, societal and business trends.

a. Societal trends

Societal trends in this context are those characteristics of society that affect business growth and success. These include population growth, foreign market potentials, technological changes, and median ages.

Note:
The following is a summary of certain societal trends that will have an effect on small businesses.

1. The median age of the target market. The U.S. is becoming a mature nation with more adults and older people. The median age in 1981 was about 30, and in the year 2000 it is expected to be 35.

2. The availability of investment capital. Investment capital is expected to continue to be in short supply as interest rates continue to rise.

3. The price and availability of natural resources. The price for natural resources is expected to continue to climb as the availability of these resources decrease.

CONTENT	TEACHING TIPS
	4. The costs associated with the agriculture section. There is expected to be a continued demand on land prices and increases in associated services and farm products. 5. Franchising costs and acceptance. Franchising accounts for nearly 31 cents of every retail dollar spent. This is expected to increase and become an even more predominate business alternative. 6. Population growth and its effect on life style. 7. The effect of inflation on small business opportunities. 8. Public demand for government services. 9. Foreign markets and their potential for exports and imports.
b. Business trends Business trends are those specific businesses currently riding the ups and downs of the business cycles. These are classified as "hot" and "cold" businesses.	**Note:** Examples of businesses that are currently "hot" and "cold." **Hot:** Cosmetics; Fast Food Outlets; Slimming Products; Catalog Buying; Service Industries; Do-It-Yourself Tools and Supplies; Burglar Alarms and Accessories; Leisure Activities; Services to the Elderly; Educational Services and Media; Business Services; Transportation Services. **Cold:** Clothing (Men's, Women's, and Infants'); Food Stores; Shoe Repair and Tailoring Shops; Full-Service Restaurants; Full-Service Gasoline Stations; Real Estate and Insurance Offices; Air Transportation. **Note:** Refer class members to questions 26 and 27 in ESBP.

CONTENT	TEACHING TIPS
C. WHAT ARE SOME WAYS TO BECOME AN ENTREPRENEUR?	
Once a person narrows the alternative enterprises, they can start considering the available options in getting started.	
Basically there are three options available; first, one could buy an existing small business; secondly, one could build or create a new small business; and third, buy into a franchise.	Show Transparency Number 18.
There are both advantages and disadvantages to each of these options. One needs to find the option which best suits his/her needs and overall business goals.	
1. Purchasing an Existing Small Business	
Many things need to be considered when purchasing an existing small business.	
a. Does the business have a proven record?	
A record of past business success or failure is a good indicator of what to expect in the future.	
Has the business consistently earned a profit?	
What are the circumstances for selling the business?	
The answers to these questions will help in determining the possibilities for a successful business venture.	
b. Patrons of the business	
A business with a loyal group of customers is a big plus when one considers buying a business. It must be remembered that when you buy a business you also buy its market. Determine whether or not the busi-	

CONTENT	TEACHING TIPS

ness has an established and dependable clientele, as there is always the possibility of "ill will" toward the business. If there is hostility toward the current business owners, this may carry over to the new owners as well.

c. Suitability of the business location

When buying a business this is one of the most important factors; location of a business will be discussed in the business plan section.

d. The physical facility

The following questions need to be answered concerning the facility, before one purchases the small business.

(1) Is the layout suitable?

(2) Does the facility offer any flexibility?

(3) Does the facility need any repair?

e. Established suppliers and lending institutions

A new enterprise will need to establish contacts and develop business creditability. When buying an existing business the lines of communications are already established. The trial and error experiences are bypassed by having proven suppliers and established business associations.

Trained personnel are generally available thus reducing many of the headaches involved in selecting and training employees.

2. Building a New Business

Another option is to build or create a new small business. This option has many uncertainties.

CONTENT	TEACHING TIPS

The major advantage to building a new business is the freedom and independence in making your business decisions.

Having total control is a major consideration and motivator to build. This allows the owner to build, hire, and manage the business in his/her unique style and develop the desired image of the business. The construction of the desired facility and locating the business in a suitable location may be the two most important aspects to getting the prospective business on the road to success.

The shortcoming to creating a new enterprise is obviously the uncertainty of the business. The owner must deal with the uncertainties of:

a. The lack of actual "track record" by which to judge the business.

b. Lack of established clientele.

c. The hours of work needed to establish a new enterprise.

3. Buying a Franchise

Another possibility is buying into a franchise or "chain." Everyone is familiar with franchises such as McDonald's, H & R Block Tax Service, Century 21 Real Estate, and Pizza Hut; however, not many are aware that there are nearly 1/2 million franchisors in the U.S. alone.

The advantage of buying into a franchise is that one buys not only the name of the franchise but also the expertise of the franchisor's marketing managers, training managers, and business operations. Franchisors often give assistance on a continuing basis and provide financial support to franchises.

CONTENT	TEACHING TIPS

The shortcomings to franchising are the expense involved in franchise fees and the reduced control over your own business operations.

SUMMARY

No matter what decision is reached, one must weigh the alternatives and take action based on a set of business objectives. If purchasing a business, one must be able to accept the conditions of the existing business. If building or creating a new enterprise, one must deal with the uncertainties involved. Franchising restricts one's decision making and control over various aspects of the business.

D. BUSINESS FAILURE

Show Transparency Number 19.

Starting a business is risky at best. It takes many skills to run a business and one cannot be expected to know everything. The chances of operating a successful small business will be better if you understand the potential problems.

Knowing the pitfalls will help in anticipating problems, and making proactive decisions to minimize the effects of such problems.

1. Failure Symptoms

Show Transparency Number 20.

a. Working Capital

Working capital is defined as the difference between current assets and current liabilities. Working capital is essential for ongoing business operations, maintenance, payment of debts and other expenditures. The lack of working capital to meet these obligations is a failure symptom which must be quickly evaluated and dealt with.

The factors contributing to limited working capital are poor inventory control and collections, too much money tied up in fixed assets, and unusual or nonrecurring losses.

CONTENT	TEACHING TIPS
(1) Inventory Control Too much or the wrong kind of inventory for some businesses can cause a major outlay of capital, therefore causing a shortage in working capital. In times of high interest rates this will cause a significant increase in debt payments resulting in additional loss in working capital. (2) Collections Poor collections of outstanding bills can cause working capital to decrease. The business must handle billing with as much efficiency as possible since this is the source of revenue for business. (3) Fixed Assets One major characteristic of small businesses is the lack of capital. This becomes a major problem when large amounts or expensive machines are required for one's particular business. The investment in large amounts of fixed assets makes the business less liquid and causes indebtedness to increase. (4) Other (disaster, theft, etc.) The unexpected is often a drain on the working capital of small firms and can even result in the collapse of some businesses. The unusual or nonrecurring costs associated with disasters are a dangerous threat to the financial security of any business.	

CONTENT	TEACHING TIPS

b. Declining sales

Although declining sales can be the result of many factors, they are an important indicator of business failure. Declining sales may be the result of the following problems.

(1) Inadequate Marketing Research

Good marketing research is a cushion against poor marketing decisions. The result may be declining sales by under estimating the customer demand or not providing the right products or services.

(2) Lack of or Ineffective Advertising Practices

Poorly planned advertising activities or a lack of advertising activities can result in poor sales by not attracting the target customers. This can best be solved by the assistance of a professional in the field of promotions.

(3) Obsolete Products

The ability of a product or service to be up-to-date can be the factor that makes or breaks a firm. The adaptability of a firm to change with new fads or technology is a major attribute for businesses to possess.

c. Declining profits

When profits start declining, failure of a business is sure to follow. The most likely reasons for declining profits are declining sales, higher fixed costs, and increasing taxes, interest, labor, and other expenses.

CONTENT	TEACHING TIPS
(1) Declining Sales Declining sales directly affect profits; the results were previously discussed.	
(2) Higher Fixed Costs With the increase in costs of materials used in production, the margin of profit becomes much slimmer. This increase in cost must be closely monitored in order that adjustments can be made to counter the effects and maintain a comfortable profit margin.	
(3) Increasing Taxes, Labor, Interest Rates and Other Debts The increase in expenses in any of the above categories can contribute to extreme variations in working capital and lead to business failure.	
2. The Individual Business Person	Show Transparency Number 21.
a. Lack of knowledge/technical skills The lack of experience in a particular field is the leading cause of business failure. The lack of technical skills can drastically affect both quality and quantity of output, this in turn will affect business operations.	
b. Managerial skills This is related somewhat to knowing your business, however managerial skills implies all factors affecting the business such as, financial, employees, suppliers, and customers. The business manager must provide for a systematic control of all business operations.	Show Transparency Number 22.

CONTENT

The effective business manager is one who acts in a proactive (before the fact) manner instead of in a reactive (after the fact) manner. The reactive type of manager is known as a "firefighter" because all they seem to accomplish is extinguishing one problem and another crops up, whereas the proactive manager foresees the problem before it becomes one.

A good manager is also a good decision maker, all problems are evaluated, alternatives are considered, and a final decision is made.

The good manager evaluates the competition and makes carefully planned choices in location of business and expansion.

c. Personality factors

The person who deals with customers with honesty, integrity, and promptness stands a better chance of repeat business and success.

This also holds true for the suppliers, employees, and all others in which the owner/operator comes in contact.

Now let's view segment two of the slide show. As you view segment two, pay special attention to these things:

a. The importance of the business plan.

b. The parts of the business plan and how each part fits into the total design of the plan.

c. Obtaining funds to finance your business.

TEACHING TIPS

Note:
Refer class members to questions 28-30 in ESBP.

Darken the room, turn on the slide projector, and begin the slide show. Turn off when slide 59 appears on the screen. This slide features an hourglass.

Show Slide Segment Two (Slides 24-59).

CONTENT	TEACHING TIPS

Part IV: Preparing a Business Plan

An effective business plan deals with all aspects of starting and operating a business venture. The major purposes of the business plan are to help the potential entrepreneur to think through the venture; evaluating its strengths and weaknesses; and it is necessary in obtaining potential funding, partners, or franchisors.

Show Transparency Number 23.

A. REASONS FOR HAVING A BUSINESS PLAN

1. The specifications of goals and activities will help keep your efforts purposeful.
2. You will have a plan to follow and use as a guide.
3. You will be able to show facts and figures of your business venture to other involved parties–lending agents, prospective partners, inventors, suppliers, etc.
4. It helps you to see how all the pieces of your venture fit together.
5. It will provide information for decision making.
6. It will be a working document that can be used in many business transactions.

B. CONTENT OF A BUSINESS PLAN–a business plan provides detailed information on the following:

Show Transparency Number 24.

1. Identification of the Business–including the type of goods and/or services that will be provided.
2. Market Area
3. Competition
4. Financing
5. Legal Issues and Services
6. Location

CONTENT	TEACHING TIPS
7. Personnel We will discuss each one of these factors to assist you in the development of your business plan.	**Worksheet Number 3:** Distribute worksheet entitled BUSINESS PLAN OUTLINE. Ask class members to use this as a planning guide as each part will be discussed. Encourage class members to write on the Business Plan so that the proper notations may be referred to at a later date.
C. IDENTIFICATION OF THE BUSINESS–an enterprise can be described in two ways: either by product and/or service offered, or by the image of the business. 1. What is your product and/or service? It is necessary to define what you are going to sell. An "idea" is very hard to explain to potential customers–very concrete examples will be needed. 2. Define customer services you will provide. You must make definite plans about the customer services that you are and are not going to offer: free estimates, 30-day free trial, 1-hour service, etc. 3. What is your desired business image? Image is the result of the total business and all its parts. You determine your image when you: a. Plan to sell specific products/services. b. Plan what customer services to offer. c. Select a location. d. Hire employees. 4. Further identification of your business is needed when you determine the type of ownership. There are four basic ownership methods:	**Discussion:** Discuss the advantages and disadvantages of each type of ownership.

CONTENT	TEACHING TIPS
a. Sole Proprietorship–the business is owned and operated by one individual. You own all of the profits–but you must also assume all losses, bear all risks, and pay all debts of the business. Legally, a sole proprietor is subject to unlimited liability for the debts of the business. This means that if there is not enough money in the business to pay its creditors, the creditors can apply to the courts to have personal assets seized (car, home, savings, etc.).	Show Transparency Number 25.
b. Partnership–a voluntary association of two or more individuals to carry on as co-owners of a business for profit. A partnership pools the managerial talents and capital of those joining together as business partners. The members of a partnership are subject, jointly, to unlimited liability for the debts of the business, unless otherwise specified in the partnership agreement. Partners are responsible for the debts of the business.	Show Transparency Number 26. **Discussion Point:** When selecting a business partner you should: (1) Know that individual well; (2) Have personalities that are compatible; (3) Have a partner that is strong in areas in which you are weak; (4) Know if your partner is willing to devote his/her time to the business; and (5) Make sure both partners are in agreement as to how the business is to be operated.
c. Corporation–"Artificial person," a legal entity that can sue and be sued, hold and sell property, and engage in business operations stipulated in the corporate charter. The liability of each shareholder (for debts incurred by the corporation) is limited to the amount that has been invested.	Show Transparency Number 27. **Examples:** Westinghouse, General Motors.
d. Franchise–a legal agreement by which a franchisee agrees to conduct a business according to certain methods and terms	Show Transparency Number 28.

CONTENT	TEACHING TIPS

specified by the franchisor. The franchisee owns the business, hires the employees, and assumes operating responsibility. Franchising is a system of distribution in which the franchisee contracts to distribute or sell specified goods and/or services in a given area.

Examples:
McDonald's; Baskin Robbins Ice Cream Store; Holiday Inn; Avis Rent-A-Car; Pepsi Cola Wholesaler; Auto Agencies; (Dealerships are franchises).

D. MARKET AREA–your market area consists of the potential buyers of a product or service. Buyers may be either individual consumers or businesses. In defining who your potential buyers are, you need to determine the following:

Show Transparency Number 29.

1. Know Who the Customers Are

   No product or service is bought by everyone. All people are not customers of the same business. Your potential customers belong to various groups, each group made up of people having common characteristics such as age, sex, marital and family status, employment, income, and trends in any of these characteristics.

Show Transparency Number 30.

2. Know What the Customers Want

   By segmenting or dividing, it is easier to determine what product and/or service each group wants or needs.

Discussion Point:
Sources of Information for market analysis.

3. Know Where the Customers Buy

   Where are the potential customers buying now and what factors will cause them to buy from another business?

Statistical Abstracts of U.S.

1. Population, crime, education, and climate information.
2. Social, political, industrial, and economic information.

4. Know When the Customers Buy

   By knowing when (daily, weekly, monthly, yearly, seasonally) you can determine such things as hours of operation, when to advertise and quantity to have on hand at a specific time.

County and City Data Book

1. Statistics on population, housing, and labor.
2. Statistics on wholesale and retail trade, industries, agriculture, and services.

CONTENT	TEACHING TIPS
5. Know How the Customer Buys How the customer pays for products and/or services can help determine a credit policy as well as a pricing policy for the business.	**Census of Population** **Census of Business**
6. Know Why the Customers Buy People buy because they want to: a. Use the product or service (utility, reason) b. Add to their wealth (investment, status symbol) c. Pride of ownership d. Increase their security and safety e. Fashion reasons	
7. Forecasting Your Sales and Market Share You first have to describe your market area and estimate the total sales for your type of product in the market area. Then you can estimate what share you are likely to get from this total volume of sales.	**Question:** If you are planning to start your own business, how will you know if there will be a sufficient market for your business to succeed?
Step 1: Describe Your Market Area Market area means the area from which you draw your business in the geographical area within which you do business.	Show Transparency Number 31.
Step 2: Estimate Total Sales Estimation of total sales is achieved by obtaining the figures on the total sales of your type of product in this market area. This will be the total sales of all businesses of your type in the area. a. Sales Data–finding out how much all the customers in your market area spend on the type of products you sell.	**Example:** If you plan to start a novelty store, you might find that competitor Number 1 sells $40,000 worth of goods a year, competitor Number 2 sells $30,000, and competitor Number 3 sells $20,000. This totals to $90,000 worth of sales per year.

CONTENT	TEACHING TIPS
b. Population Data–determine or estimate how much each person or family spends on your type of products. Then multiply the figure times the number of people or families in the area.	**Example:** If there are 2,000 people (or 500 families) in the area served by businesses Number 1, Number 2, and Number 3 and you estimated that the average family spends $400 per year on your type of product, the total sales would be: 500 (families) × $400 = $200,000 per year
c. Income Data–determine or estimate what percent of an average family's (or person's) income is spent on your type of product	**Example:** Assume that 25% is spent on your product and a total income for your area is $500,000 per year. Thus: Total Sales = $500,000 × 25% (or $125,000 per year)
You can estimate total sales for your type of products by finding actual sales data or making an estimate based on the population or income.	
Step 3: Estimate Your Share of Sales (Market Share)	
Once you know the total sales of your kind of goods, you are ready to estimate what your share is.	
a. If obtaining a business, you will know how much was sold in the last time period. To determine market share: Market Share = your actual sales/actual total sales × 100%	
b. Estimating your market share for a new business.	
1. Estimate based on the number of competitors.	**Example:** If there are three other businesses of the same type for you to compete with, you might be able to get 1/4 or 25% of the total sales (but usually not the first year). If total sales were $90,000 per year, you could expect: 25% × $90,000 = $22,500 of sales per year This is your sales forecast.

CONTENT

2. Estimate based on your market area.

SUMMARY

You should not rush in and start up a business until you know something about your market. Your business may fail because you have not checked things out in advance.

E. COMPETITION–is the effort of two or more businesses to win the same group of people as customers. Individual firms are called competitors. A new enterprise cannot survive unless it offers some competitive advantage. In determining your potential competition you will need to:

1. Determine the Number of Similar Businesses

   a. Who are your competitors?

   b. How many are there?

   c. You should determine if the local area already has too many businesses like the one you are considering. There is a relationship between the number of people in the community and the number of businesses of various kinds.

TEACHING TIPS

Example:
If your competitors were businesses Number 1, Number 2, and Number 3 and their total sales were $90,000 per year, and if you determined that $20,000 of these sales come from the market area near where you were going to locate your business, then you could calculate the size of your sales as:

Assume that you get 90% of your business from your main market and 10% of your business from outside of your main market area, then your share of sales is:

= 90% × $20,000 + 10% × $70,000

= $18,000 + $7,000

= $25,000 is your sales forecast for one year

Your average market share would be:

$25,000 / $90,000 = 27.7% of total market

Worksheet Number 4:
Distribute worksheet entitled COMPARING COMPETITORS. Have class members use this worksheet as an example that could be adapted for their use.

CONTENT	TEACHING TIPS

2. Strengths and Weaknesses of Competitors

   a. You should determine the strengths and weaknesses of each of your potential competitors.

   b. Visit each competitor to determine such elements as products/services offered, customer services offered, location, prices, amount of advertising, and image. Then determine who your major competition would be.

F. FINANCING–in determining the financing of your potential business, two questions must be answered: (1) How much money will you need to open the doors of your new business? (2) Where will the money come from?

1. In determining how much money you will need to open your new business, the following factors will have to be determined:

   a. Start-Up Costs–these are the one-time costs you will have to meet in establishing your business and the costs of operating the venture until it begins to generate a profit.

   b. Operating Expenses–these are the expenses necessary in operating the business on a month-to-month or year-to-year basis.

   c. Personal Living Costs–the minimum salary you need to earn from the business to cover your personal living expenses.

   d. Personal Net Worth–"How much are you worth financially?" Your net worth is important because you will be investing some of your capital in the business in addition to borrowing money. Lenders will want to know your net worth. Your net worth is determined by subtracting your liabilities (what you owe) from your assets (what you own).

Question:
What would you require of a borrower before you lend money for a business venture?

Show Transparency Number 32.

Worksheet Number 5:
Distribute worksheet entitled FINANCING. This will provide class members a form for estimating start up costs, operating expenses, and personal living costs.

CONTENT	TEACHING TIPS

2. Financing the Business

   In answering the next question, where will the money come from, there are two methods of financing a business venture:

   a. Equity Financing–financing the business with your own money or funds provided by others instead of borrowing. Investors are buying a piece of the business.

   b. Debt Financing–financing the business with borrowed funds. The loan must be paid along with the interest.

Note: There are methods of reducing the amount of money you may have to borrow to finance your venture which should be explored before working with a lending agent. These are:

   a. Trade Credit–suppliers allow customers to buy inventory on credit or to buy equipment on installment.

   b. Economizing–leasing or buying used equipment or by doing remodeling yourself.

   c. Customers–having customers pay for the product or services when they place the order or pay on an installment basis, with some installments paid before delivery.

   d. Financing through Profits–method used to finance improvements and business expansion. Not available when you first open a business.

3. In most cases, you will probably need a loan to finance part of your start-up and operating expenses. There are various types of loans available including.

   a. Short Term Loans–usually for 1 year and used for operating expenses such as meeting payroll or to pay for merchandise to take advantage of the cash discount offered by a supplier.

CONTENT	TEACHING TIPS
b. Intermediate Term Loans–offered for a 1 to 5 year period of time.	
c. Long Term Loans–offered for a period of 5 years or more.	
4. The basic requirement that most lending agencies use is that they will not loan over 50% of the money needed–they will want to see your business plan and that you are willing to invest a substantial percentage of your own capital. Your business plan should include the financial statements you have developed.	Show Transparency Number 33.
5. In addition to your business plan and financial statements, the lending institution will appraise your background, including your experience in business, your personal net worth and the amount of equity that you plan to invest in the business. Again, in most cases you will be asked to match the amount of money you are requesting to borrow.	Show Transparency Number 34.
6. Sources of Loans–potential funding sources for the entrepreneur include the following:	
a. Life Insurance Companies–you can borrow against a life insurance policy. The funds are usually obtained at a lower rate of interest, but loans have been curtailed somewhat because of present inflationary era.	
b. Personal Finance Companies–have a higher cost of borrowing, usually ranging up to 36% per year, because their risks are greater. They loan to individuals who cannot borrow from other sources.	
c. Commercial Finance Companies–a popular source of funds for the small business that wants to use a combination of accounts receivable, inventory and equipment as collateral. Usually the loan is at a higher rate of interest.	

CONTENT	TEACHING TIPS

d. Commercial Banks–the most popular source of funds–lends about 50% of all funds loaned. The lowest interest rate is usually 2% above the prime rate, and highest is usually the legal maximum.

   Commercial banks prefer to loan on a 5-year term limit in amounts not to exceed $50,000.Many require periodic audits and financial statements.

e. Savings and Loan Associations–if the borrower offers land and/or building as collateral and needs a long pay back period, Savings and Loan Associations offer funds at a competitive rate. Minimum amount is usually $10,000 with a maximum of $100,000. The down payment is from 20-25% depending upon the length of the loan.

f. Credit Unions–becoming a more popular source of funds for small businesses. Credit Unions will only loan funds to a member. The rate is usually a fixed percentage per month and is competitive with commercial banks. Short-term loans are preferred.

g. Small Business Investment Companies (SBIC)–as of now, the total amount of funds loaned is insignificant and not a major source of funds.

h. Small Business Administration (SBA)–offers two types of loans:

   (1) A small portion constitute the first type: direct loan variety in which funds are loaned by the SBA directly to the recipient. These loans are made only when certain limited funds are available.

   The applicant must have been turned down by 2 banks in an urban area, and,

CONTENT	TEACHING TIPS

1 bank in a rural area. If you qualify, you will secure an interest rate usually less than market rate.

(2) The second type: guaranteed loans constitute 95% of the total funds loaned. The borrower applies for the loan from the bank and the SBA guarantees the loan up to 90%.

The minimum amount borrowed varies from $20,000 to the maximum of $35,000. The interest rate is low, but collateral is essential.

i. Other Sources–other potential sources that may be explored are:

(1) Relatives and Friends–may be a helpful source of funds, but these individuals may want favors or demand a voice in management of the business.

(2) Partners and Shareholders–partners and/or shareholders would generate additional capital, but distribution of profits to these sources is necessary.

7. Using Sources of Finance to Start Your Business

Show Transparency Number 35.

a. Planning for loans

Careful planning is essential. You should evaluate your own resources–your property, savings, ambition, management ability and so on. The long-range credit needs of both your business and the family must always be kept in mind.

b. Budgeting

Budgeting is a very useful tool in planning for a loan to start your business. A budget is simply a projection of the expected re-

CONTENT	TEACHING TIPS

ceipts, expenses, and net income when you start a business. Such budgets require total costs and income estimates.

c. Determining the size of loan that can be carried

Repayment capacity is the most important factor to keep in mind. You can estimate your repayment capacity by looking at the projected estimates (budget) of your yearly receipts, expenses, net income, and living expenses.

d. Length of the repayment period (Terms)

The kind of loan and repayment capacity should determine the length of the repayment period. If repayment capacity is very good, a loan can be paid back quickly and interest charges saved. However, it is not always advantageous to repay a loan as quickly as possible.

8. When you are applying for a loan, you are asking to use someone's money. The lending agency will want to know the following information about you and your business:

a. How much money you need.

b. How you are going to use it.

c. Whether your business will make more money.

d. Whether the lending agency will be repaid.

e. When and how it will be repaid.

G. LEGAL ISSUES–there are numerous and complicated issues in which you need some knowledge about, that should be incorporated into your business plan.

Show Transparency Number 36.

CONTENT	TEACHING TIPS

1. Contracts and Agreements–one of the most important legal actions entered into by the small business. There are five basic types of contracts that affect small businesses: Expressed, Implied, Formal, Unilateral and Bilateral.

2. Credit Sales Contracts–whenever you purchase or sell goods or services on credit, you are entering a contract or a credit sales contract. The seller agrees to exchange certain goods or services for a consideration known as "the price to be paid at a later date."

3. Insurance–small businesses usually fail to carry adequate insurance protection. Various types of insurance you should consider in developing your business plan are:

Show Transparency Number 37.

Question:
What are the different types of risks of losses which a business faces?

Question:
What types of insurance are required by law for most business firms?

   a. Fire Insurance–Fire insurance and related lines protect against disaster losses (windstorm, tornado, riot, etc.) and provide protection for the physical property of the firm. "Business Interruption" policy or rider may be added to your fire insurance coverage.

   b. Liability Insurance–Liability protects the business from financial loss due to bodily injury occurring at the business to outsiders (customers).

   c. Workman's Compensation–Workman's comp is legally required in most states. This protects the business from financial loss due to employees injured on the job.

   d. Marine Insurance–This insurance protects goods during shipment. Inland marine insurance covers goods transported by rail or motor freight.

CONTENT | **TEACHING TIPS**

e. Casualty Insurance (crime insurance)–A variety of coverage to protect the small business in third party claims–burglary, theft, robbery, plate glass, and health and accident insurance.

f. Fidelity and Surety Bonds–Provides a guarantee that the small business will fulfill its contractual obligations. In addition bonding employees is a protection against dishonesty.

4. Lease of Property–a special contract that establishes a relationship between a property owner and a tenant, either expressed or implied. There are basically four types of leases that an entrepreneur will become involved with:

   a. Tenancy for Years–for a definite period of time.

   b. Periodic Tenancy–site leased for an indefinite period of time.

   c. Tenancy from Month-to-Month–site leased on a monthly basis.

   d. Tenancy at Will–lease can be continued indefinitely, or can be terminated by either party.

5. Leasing of equipment such as data processing equipment, photocopying equipment, company cars, etc., offers the entrepreneur several advantages. Among these are (1) does not tie up capital, (2) eliminates the need for some insurance, (3) saves taxes, (4) eliminates possession of outdated equipment, and (5) saves on maintenance costs.

6. License/Permits–the entrepreneur may need to file for various types of licenses and permits such as a business license, loading zone permit and other city, county, and state requirements that will pertain to the type of enterprise you wish to start.

CONTENT	TEACHING TIPS

7. Taxes–The primary tax responsibility of a small business is to pay all legally required taxes. In paying taxes, the firm is both an agent and a debtor. As an agent it withholds and pays taxes owed by others. As a debtor, the firm pays taxes for which it is directly liable.

   a. Federal taxes

      (1) Income Tax–amount of tax paid by a business depends on its earnings and on its legal form of organization.

      (2) Excise Tax–imposed on the sale or use of some items and on some occupations.

      (3) Unemployment Tax–firms that have four or more employees pay both federal and state unemployment taxes on salaries and wages.

   b. State taxes

      (1) Income Tax–amount of tax paid by a business depends on its earnings and on its legal form of organization.

      (2) Sales Tax–you, the entrepreneur are responsible for collecting the tax. When a cash sale is made, you collect it at the time of the sale. When a sale is on credit, you must add the tax to the price of the goods/services because you are responsible for collecting the tax. Remember, you have to send in the tax owed whether you have collected it or not.

   c. Local taxes

      (1) Counties, towns, school districts, etc. impose various types of taxes. Real

CONTENT | **TEACHING TIPS**

estate and personal property taxes are the most common. Business licences are also considered taxes.

9. Other Legal Issues to be Considered

   a. Copyright–is a registered right of a creator to reproduce, publish, and sell the work which is the product of the intelligence and skill of that person. Copyright receiver protection is for the duration of the creator's life plus fifty years.

   b. Trademark–is a word, figure or other symbol used to distinguish a product sold by one manufacturer or merchant, usually featured in advertising. A trademark registration lasts for twenty years and may be renewed for an additional twenty years.

   c. Patent–is the registered right of an inventor to make, use, and sell an invention. Items that may be patented include machines and products; improvements on machines and products, and new and original designs. A patent attorney should be retained to act for an entrepreneur in preparing the application.

   d. Libel–may be defined as printed defamation of one's reputation. There is a danger of including materials in credit correspondence that may be held by the court as libelous. The Fair Debt Collection Act of 1977, says you cannot:

      (1) Threaten consumers with violence.
      (2) Use obscene language.
      (3) Publish "shame" lists.

H. LOCATION–Choice of a location for the business is an important factor in its success or failure. A poorly-run business can often survive in a good location, but even the finest business will fail in a poor location.

Worksheet Number 6:
Distribute worksheet entitled COMMUNITY ANALYSIS RATING SHEET. This will provide class members an example that could be adapted to individual situations.

CONTENT

TEACHING TIPS

There are two important aspects to consider in choosing a location for a business.

1. You will have to choose a particular community in which to locate your business. Your choice will depend on several factors including:

   a. Personal factors

      (1) You will have to determine whether or not you want to be near friends and relatives or in a community where you are unknown.

      (2) Do you prefer a rural area, town or city? In which region or part of the country would you like to locate?

      (3) Does your health require you to locate in a particular climate?

   b. Economic factors

      (1) You will want to locate your business in an area where customers have regular incomes over the long run.

      (2) Are jobs available locally or do workers have to leave the area to find employment?

      (3) Is employment seasonal or regular?

      (4) Are there good roads and transportation facilities into the area?

      (5) What is the sales volume, or potential volume of sales?

   c. Competition

      (1). You will have to evaluate the competition, if any, in both the immediate and surrounding area. If similar

Show Transparency Number 38.

Question:
What are the pros and cons of being known in the community versus being a stranger in the community?

CONTENT	TEACHING TIPS

businesses are serving the same market, there may not be sufficient sales for all to continue operating.

(2) Is the need currently being met?

(3) Does another business in the community or nearby community handle the same products or services?

(4) Do current businesses specialize or do they handle many products or services?

(5) You will also want to determine the amount of money currently being spent on the product or services, or how much would be spent if the products or services were available locally.

If the need is being met, you will need to know what percentage of sales volume goes to each competitor.

d. Additional related factors to be considered by the potential entrepreneur are local real estate trends and zoning laws.

2. Consideration of a Specific Site

Once you have decided on a particular community/area, specific site information should be explored.

Discussion Point:
Sources of assistance could include the electric, gas or telephone utility companies who may have a person designated to help businesses on their location decisions. Some banks and insurance companies also provide this service.

a. Buying/leasing a specific site

The decision to buy or lease must be made carefully. There are advantages and disadvantages of each, but most beginning businesses lease a specific site after reviewing the following factors:

Worksheet Number 7:
Distribute worksheet entitled LOCATION EVALUATION RATING SHEET. This will provide class members a rating sheet to evaluate potential sites.

CONTENT	TEACHING TIPS

(1) Traffic Patterns

An important factor is to know the number of people who pass by the location. Even more important is to determine why people are passing the site

The entrepreneur should take into consideration pedestrian and auto traffic, and the flow of this traffic (where is the traffic going and does it ever stop).

(2) Accessibility for Potential Customers

Large capacity parking facilities are a most favorable site characteristic. It is also highly desirable to be near public transportation. Roads and streets should be in good repair, clean, and easily reached by customers. Wide sidewalks are an additional important factor.

(3) Location of Competitors

Locating too far from the competition can be a problem because it does not allow comparison shopping by potential customers. It may be desirable to locate near complimentary businesses in order to draw potential customers.

(4) Layout of the Potential Building Site

The building site must be suitable for the product and operation. Such building factors include:

(a) Floor strength and appearance

(b) Ceiling height and appearance

CONTENT	TEACHING TIPS
(c) Floor space–selling and nonselling	
(d) Expansion possibilities	
(e) Visibility to potential customers	**Discussion Point:** Common errors in selecting a site include (1) basing the selection on cost rather than suitability; (2) not considering volume of trade to support the business; (3) selecting a site suited to one type of business, but not another.
(f) Accessibility for deliveries	
(g) Image reflected by building	
I. PERSONNEL–Labor costs are usually one of the higher costs in any business operation. The more one can control these costs, the better the profit picture will be. It is quite common for the entrepreneur to look for additional employees as an answer to increase the income of the business.	**Question:** For five small businesses which you know best, would you say that their locations were based upon evaluation of location factors, chance or something else?
Establishing the need for new employees prior to hiring can be very beneficial, and it is important since it is an expense which can be controlled. Before hiring employees it is a good idea to have a look at your business. It may be that you need new equipment, a better layout, or better housekeeping procedures rather than more employees.	**Question:** Do the personal acquaintance and informality in employee relations in a small business constitute more of an advantage or handicap?
The steps in determining and looking for new employees are:	Show Transparency Number 39.
Step 1: Deciding What Kind of Work Needs to be Done.	
You must decide what has to be done; what tasks will be involved in the job. This process is called "job design," and it must be done before you can tell what type of worker you need.	
Step 2: Deciding What Sort of Person Would Fill the Job.	
The kind of work to be done (how the job is designed) will tell you what kind of worker you need.	

CONTENT	TEACHING TIPS
Step 3: Deciding Where Employees can be Found. Having decided exactly what work is to be done and what kind of person you need to fit the job, you are ready to find an employee.	
Step 4: What are Your Potential Sources for New Employees? a. Friends and relatives b. Advertising (1) Word of Mouth (2) Notice in a Public Place (3) Ad in the Local Newspaper c. Vocational-technical education programs (1) Secondary Level (2) Post-Secondary Level (3) Area Vocational-Technical Schools d. Employment agencies (1) State Employment Agencies (2) Private Employment Agencies	**Question:** How might the manager of a small business be aggressive in recruiting new employees?
We are now ready to view the final segment of the slide show. As you view segment three, pay special attention to these points: a. The general functions of management b. The steps in planning c. Information and assistance available to the entrepreneur	Darken the room, turn on the slide projector, and begin the slide show. Turn off the projector when slide number 80 appears on the screen.
Part V: Managing the Enterprise	Show Slide Segment Three (Slides 60-80).
Introduction Managing involves getting all parts of the business, including personnel, marketing strategies, finances, and records to function together to achieve the firm's goals.	**Question:** Define managment from the points of views of managers, labor leaders, and politicians. **Worksheet Number 8:** Distribute worksheet entitled SELF ANALYSIS FOR MANAGERIAL POTENTIAL. Have class members answer questions.

CONTENT	TEACHING TIPS
A. PLANNING FUNCTION	Show Transparency Number 40.
1. Planning Defined	
a. Planning can be defined as the laying out of a future course of action.	
b. Planning for a business involves predicting the future of the business operation: it is a matter of considering alternative possibilities and selecting the best.	
c. Planning is not limited to the work that must be done before a business starts. The business is constantly changing because the world we live in is constantly changing.	
How does an entrepreneur prepare for change? They prepare by trying to foresee the factors which will influence the business.	
2. Importance of Planning	
a. The first few years of a business are the critical ones. Before starting the business the entrepreneur should foresee all aspects of the business.	
If poor planning takes place, the consequences can be a serious setback or even business failure.	
b. The information supplied by planning is essential for the entrepreneur as well as for other people, such as lending agents and suppliers, who deal with the business.	
3. Tendency to Neglect Planning	
a. Reasons why planning is often neglected:	
(1) The pressure of work is often a cause of poor or inadequate planning. Planning is a function which can be postponed. Unless priority is given to this function, it can easily be put aside with disasterous effects.	

CONTENT	TEACHING TIPS
(2) Often before a business is started the entrepreneur has a lack of appreciation of the need or value of planning.	
(3) There is a need for the entrepreneur to set aside some convenient time (evening, weekend) to determine the business's future course of action.	**Discussion/Question:** Discuss with class members the ease with which planning can be neglected. What are some ways of overcoming the neglect to plan?
4. Types of Planning	
Planning for a business operation should deal with all aspects of the business. Planning can be broken down into the following areas:	
a. Planning for Sales–The sales or marketing area of a business organization takes in all those activities necessary to influence a buyer to purchase the products or services of the business.	
Most businesses at some time will have to plan their sales approach. It must be realized that planning must be done frequently since conditions change.	
An entrepreneur who plans before they go into business and then no longer plans for sales can quite easily see sales decrease. Many businesses do not reach their full sales potential because they are not aware of the need for continuous planning. Your job is to plan to increase your sales.	
b. Planning the Profits–Planning for profits means making an estimate of all expenses and revenue of the business in order to arrive at an expected profit.	
The review of expenses should foresee all expenses involved. It should also foresee how expenses might be reduced, or whether the expense of a certain operation pays for itself (i.e. home delivery).	

CONTENT	TEACHING TIPS

The entrepreneur will also want to see how they can increase revenue. What will be the effect of an increase in price of products or service? Can costs of goods be decreased by purchasing bigger quantities? Can new types of merchandise be added to increase revenue?

c. Planning for Personnel–Most entrepreneurs forget that they need to plan for employees. How many employees are required? How do you find employees? How do you train the employee for the job? How will you manage your employees? These are important aspects of planning for personnel.

Since labor costs are one of the highest variable costs, you will want to get the best possible performance from your employees while still treating them fairly.

d. Planning for Production–For those businesses involved in production, the process of making a product from other materials, planning is essential.

The secret of good production is obtaining the maximum amount of finished products from the least amount of material and labor.

Other factors which should be considered in planning for production are:

(1) Is the product what the customer wants?

(2) Is the design one which will show workmanship to the best advantage?

(3) Is there a good market for the product?

(4) Is it possible to produce the quantities required on a regular basis?

CONTENT	TEACHING TIPS

(5) Is it possible to maintain good quality in all products?

(6) Is it possible to produce a number of products (diversification) so that if one product has a decrease in sales, the business will still have sales from other products?

(7) Should you produce all products yourself, or should you purchase some products (if it can be done more cheaply)?

(8) How much raw material is required? How long does it take to order a new supply?

(9) How much inventory of finished products is desirable to meet consumer demand?

(10) What production capacity is required? What are the best machines for production? How much automation is required?

(11) What is the best location for your production plant? Near the market? Near the labor supply? Near the source of raw materials?

5. Steps in Planning

Five steps must be carried out in a systematic manner.

Discussion:
The steps of planning are typical of steps in problem solving. STOP after each step to discuss and illustrate examples which might clarify each step.

Step 1: Identify the Problem

Until the problem is clear, it is impossible to develop a sound plan which will provide an adequate solution.

Show Transparency Number 41.

CONTENT | **TEACHING TIPS**

Step 2: Collecting and Classifying Information

It is important to check out all information prior to using it in planning.

Step 3: Distinguishing Different Courses of Action

Using different information you will see ways of solving the problem. These courses of action should be examined and the advantages and disadvantages of each taken into consideration.

Step 4: Selecting a Course of Action

The entrepreneur must decide which course of action is best for the business. The process of selecting a course of action is known as decision-making.

Step 5: Evaluating the Course of Action

The entrepreneur will be able to learn from their experiences and improve on their ability to make better decisions.

6. Planning Time Periods

Plans in a business are usually made for short-term and long-term periods. The short-term plan may be a matter of days, weeks, months, or a year or two. Long-range plans are plans for five, ten, or more years.

SUMMARY

The function of planning is one of the most important functions of management. Without adequate planning, the other functions may have little value. Effective planning requires a disciplined approach. It is very easy to postpone planning because of the day-to-day pressures, or because of the lack of information.

CONTENT	TEACHING TIPS

B. ORGANIZING FUNCTION

1. Organizing Defined

Even with good plans, a business can do little unless there are resources or people who can carry out these plans. Organizing can be defined as the management function which identifies the different jobs or positions in an organization and shows the relationship between the different positions.

The purpose of organizing is to give the people in an organization a clear understanding of their jobs and what responsibility and authority they have.

Discussion/Question:
Have the class members relate experiences they have had in work situations from which they can describe the line of communication from the manager to the worker. Are there gaps in communication?

The organizing function of management is broken into:

a. Responsibility–the obligation of each employee to perform the duties assigned. Every job or position carries responsibilities. It is important that the person in the position knows what is expected of them.

Discussion/Question:
Ask class members if they have had jobs in the past in which their responsibilities were not clearly set out. Why was this? How could it have been overcome?

b. Authority–a boss's right to give orders or instructions to an employee. This authority comes along with the responsibility of a job.

Discussion/Question:
Ask class members if they have had jobs in which they were given responsibility and were not given the necessary authority.

When a business is owned and managed by the same person, the owner-manager has the responsibility and the authority to have the business move towards its goals and objectives.

c. Accountability–indicates that a subordinate must report or is answerable to a person in authority. For an organization to work well, an employee should have only one boss.

CONTENT	TEACHING TIPS
d. Span of Control–the number of people which one person can effectively supervise. It is suggested that the manager may effectively supervise six to eight people depending upon the type of work, the ability of the supervisor, and the amount of work.	
2. Organizational Structure The discussion of the various points above is the basis for a business organization.	**Question:** How large must a small business be before it encounters problems of organization? As it grows, do problems become more difficult to solve?
The relationships between employees can be drawn on an organizational chart. This chart represents part of the organizational structure of a business. It designates the way in which a business enterprise is organized to enable the business to do the job as effectively as possible. Even though the organizing function applies primarily to larger business, the small business needs to plan for the future.	Show Transparency Number 42.
C. DIRECTING FUNCTION In most small businesses, the entrepreneur will likely be involved in the directing function, since he/she will be working directly with employees "putting the plan into action."	Show Transparency Number 40.
Directing involves the supervision and the guidance of the employees to see that they do their work effectively. Directing is the job of putting the plans into operation. Since work is done by people, the entrepreneur must be able to do a good job of leading, motivating, communicating, counseling, and disciplining the efforts of the employees who are to work towards the organization's goals.	

CONTENT	TEACHING TIPS

Directing is a complex job since it involves combining the plans, the organizational structure, and the employees into an operation which works towards the organization's objectives.

1. Methods of Improving Directing Efficiency

   Methods of improving the entrepreneur's directing ability can be included in the following areas:

   a. Motivation–is what causes people to act as they do. Motivation comes from within the people who do the work.

      There are other reasons besides money which motivate people to work. There are other needs which do not involve money–some of the other needs which motivate employees include:

      (1) Praise
      (2) Recognition
      (3) Responsibility
      (4) Job Satisfaction
      (5) Interest in People
      (6) Information
      (7) Participation

   b. Leadership–is the managerial function of helping a group attain its objectives. Competent leadership is not only an important ingredient for successful operation, it is an essential one.

      Generally the qualities of a good leader are: objectivity, judgment, initiative, dependability, drive, a liking and understanding of people, and an ability to make decisions. Others are emotional stability, maturity, a strong desire to achieve, and the ability to cooperate with others.

Worksheet Number 9:
Distribute worksheet entitled MOTIVATIONAL SELF CHECK. Have class members answer responses. Provide rating analysis to class members.

Discussion/Question:
Have class members relate their own experiences with positive (praise, recognition, etc.) reinforcement. Ask class members to relate their experiences with negative reinforcement. Was it effective?

CONTENT	TEACHING TIPS
c. Communications–an entrepreneur must be able to communicate with employees. Communication is the transmission of messages to others by words, gestures, or signals. It is impossible to direct employees if instructions or orders given by the manager-owner are not understood.	**Discussion:** Discuss the importance of being able to communicate in business.
SUMMARY Directing involves the ways an entrepreneur ensures that employees carry out the plans of the organization. The ability to motivate, lead and communicate are all essential to guide and encourage the employees to do the work necessary to reach the organization's goals.	
D. CONTROLLING FUNCTION Control is the task of seeing that the business actually performs according to the plans set out. Control is necessary to know what happened in the business and how the performance relates to the plans, so that corrective action can be taken if necessary. The controlling function attempts to find the cause of any differences between the plan and the actual performance. The controlling function involves comparing the actual performance of a business with the plan, determining the cause of any differences, and making the corrections necessary to avoid a similar situation in the future.	Show Transparency Number 40.
1. Why is Control Necessary? Control is necessary to assure the entrepreneur that the business is moving ahead as intended. Without control the entrepreneur would not know how the business is doing or where it is headed.	

CONTENT	TEACHING TIPS

Without plans and control, the business can progress in any direction in which circumstances direct it. This perhaps explains why so many businesses fail.

2. Types of Control

Show Transparency Number 43.

a. Control of sales

Question:
Ask class members how they would control the sales of a business.

Businesses have at the beginning of each year a realistic plan or budget which predicts the expected sales for the year. This becomes the basis for determining the expected revenue.

The control of sales is exercised when a comparison is made of the actual sale to the figure which was set as an objective. The entrepreneur should not assume the target was too high until an analysis of the marketing program is made.

b. Control of production

The business will have to set certain goals for its production in terms of quantity, quality, and cost and then control the factors of each which can meet the business's objectives.

c. Control of personnel

The entrepreneur must be aware of controlling labor costs as well as controlling employee morale through good human relations. Controlling employee efficiency can be accomplished through the proper selection, training, and disciplining of employees.

d. Control of purchases and inventory

The entrepreneur must exercise control so that the purchases and inventory of the business meet the needs of customers.

CONTENT	TEACHING TIPS

Control is essential to avoid the problems of double ordering, purchasing the wrong type of stock, or paying prices that are not favorable.

e. Control of profit

An entrepreneur will plan a certain level of profit for the year–you must check whether or not the business is reaching this level. In controlling profit, the entrepreneur must check both revenue and costs.

SUMMARY

Control requires some work but is a valuable tool in determining how the business is doing. Without control, the entrepreneur will never know whether or not the business is moving towards its objectives.

E. FINANCE, ACCOUNTING, BOOKKEEPING FUNCTION

Show Transparency Number 40.

How does the dollar side of business fit into the management process functions?

1. Recording Dollar Information

The entrepreneur relies on records to provide accurate information for making decisions. Lack of accurate data is one of the principle causes of business failure.

The records system provides answers to the entrepreneur's questions about their business.

2. Essential Records

Certain records are essential to a business of any size.

a. Records of purchase; Ex.–records of goods bought.

b. Record of inventory; Ex.–list of merchandise available to customers.

CONTENT	TEACHING TIPS

c. Record of expenses; Ex.–cost of fixtures, furniture, advertising, delivery, etc.

d. Record of sales; Ex.–records of cash or accounts receivable.

e. Record of financial standing–Prepared from information from other records. Gives financial standing, shows profit or loss. Ex.–business statements such as balance sheet, income statement.

SUMMARY

Just as in the management area of business, the dollar side of business must be planned, organized, directed and controlled. One of your major responsibilities as an entrepreneur will be to see that funds are being spent properly.

F. BUSINESS AND THE COMMUNITY

Show Transparency Number 40.

One of the objectives of a business is to make a profit, but if a business is not aware of its relationship with the community, it can lose a powerful force for the advancement of the business.

Question:
Consider a specific small business firm that you know. What are its most important publics?

1. Public Relations–helps promote understanding between the business organization and various groups of people forming the community.

   Relations–good and/or bad–with the public take place every day. Good public relations promote a good image of the business to the public by the following:

   a. Polite and friendly service
   b. Promoting good morale for and leadership to employees
   c. Community work
   d. Advertising

   Public relations permit the community to know the business.

CONTENT	TEACHING TIPS
2. Public Relations in the Community Since the business has different relationships with different groups, the entrepreneur must appeal to each on a separate basis. a. Employee relations The entrepreneur must obtain his/her employees' goodwill to have good public relations. If the employees feel satisfied with the business, this can have a positive effect on the community's feeling toward the business. b. Customer relations Customers are probably the most important audience with whom public relations should be practiced. A well satisfied customer is the best advertisement a business can have. c. Supplier relations A business will deal with a number of suppliers. Relations with this audience can be improved by politely handling sales representatives and with prompt payment of accounts. d. Community relations Advertising and promotion, as well as business contacts, are ways of making the business better known and appreciated in the community (i.e. sponsor little league, etc.). e. Competition relations There is even a possibility for competitors to work together to better the community as well as help the business.	**Question:** How does the small business manager go about relating to the public? Whom does he/she approach?

CONTENT	TEACHING TIPS
SUMMARY Public Relations is the effort the entrepreneur makes to have a good understanding with the various people with which the business usually comes into contact as well as the public at large. The entrepreneur must consistently be conscious of the impact of their actions on the community.	**Question:** What type of activities appear to you to be the most significant in the public relations program of a small business?
G. BUSINESS ETHICS The entrepreneur is faced daily with decisions which involve right or wrong. Ethics deal with personal conduct in respect to right and wrong. Ethics or a code of ethics is a guideline which an entrepreneur can adopt to guide them in determining if they are doing the right thing.	Show Transparency Number 40.
The entrepreneur will need a personal code of ethics to guide him/her and to police his/her actions. Probably the best ethical principle is the golden rule, "Do unto others as you would have them do unto you."	**Question:** Suppose that a used car dealer has just made an oral commitment to sell a car at a specific price. Before the deal is completed, another customer indicates a willingness to pay a substantially higher price. What is the ethical thing to do? Is it also practical and good business?
The golden rule suggests that all human beings be treated with respect and fairness in all dealings as one would wish to be treated personally.	**Question:** Is it possible to be honest in business?
It is difficult to conceal or hide unethical business practice. In most cases, the public will become aware of the tactics.	
Part VI: Resources for the Small Business	
A. WHAT ARE THE AVAILABLE RESOURCES FOR MY SMALL BUSINESS? It has been pointed out that many businesses fail within the first few years of operation. Many failures are the result of the business owner's lack of personal expertise or knowledge.	**Note:** Additional resources may be available in the local community that are not discussed in this part.
Many of the problems facing business could be curbed if the owners had information and sought assistance before it was too late. The following section will be devoted to answering the question, "Where do I go to receive help?"	

CONTENT | **TEACHING TIPS**

There are many sources for information and assistance available to small businesses. They are classified into six categories: (1) Business Associations, (2) Government Agencies, (3) Resource People, (4) Educational Institutions, (5) Publications, and (6) Other Resources for assistance.

1. Business Associations

   Many business associations offer assistance to its members. Chamber of Commerces, Trade Associations, Credit Bureaus and The Better Business Bureau all can provide helpful information and assist in solving business problems.

2. Government Agencies

   Government agencies can be a good source for information and assistance through such organizations as the Small Business Administration and Internal Revenue Service.

   a. The Small Business Administration is tailored to the needs of small businesses. Its purpose is to offer financial and management assistance and information to small businesses.

      The S.B.A. specifically functions to:

      (1) Guarantee various types of small business loans.

      (2) Provide management assistance by sponsoring training workshops.

      (3) Provide publications on issues relevant to the needs of the small business owners/operators.

      (4) Co-sponsor the Service Corps of Retired Executives (S.C.O.R.E.), a volunteer organization which provides free management counseling to small business.

CONTENT	TEACHING TIPS

b. The Internal Revenue Service can be helpful in assisting businesses with figuring what taxes are due.

Information is also made available by the Bureau of the Census which could be helpful in marketing research analysis.

3. Resource People

Often times one doesn't have to look very far to find information and assistance. Other business owners, suppliers, customers and employees can all be valuable sources for solving your business problems. These resources represent the true "grass roots" of the business. This group can help counterbalance the effects of the "Ivory Tower" syndrome. These sources may be the most reliable and beneficial in solving even the most difficult problems. The value of each of these sources provides solutions to a perplexing problem.

Professionals, such as lawyers, accountants, bankers and management counselors can offer valuable information and assistance to small businesses; however, these services are generally contracted for.

4. Educational Institutions

Colleges and universities have highly trained staff members in a variety of business related areas. Area vocational schools, through the Marketing Education Department, may have personnel with expertise in small business management and may offer courses, workshops, or seminars relating to small business operations and their concerns.

CONTENT	TEACHING TIPS
5. Publications Trade journals and related commercial publications offer an excellent and quick source of information concerning all aspects of business–ideas for improving current practices, solving of business problems, keeping business people up-to-date on the latest trends and tech[illegible]al changes, and providing names and a[illegible]s of other possible resources.	**Worksheet Number 10:** Provide class members with the worksheet entitled RESOURCES FOR THE SMALL BUSINESS. This will provide additional information regarding the topics discussed during this course.
Course Summary Review the following key points that have been presented throughout this course:	
1. Throughout the course we have discussed the importance of small businesses and entrepreneurs. Our goal has been to examine entrepreneurship and provide information on establishing a small business venture.	Show Transparency Number 1.
2. The traits and characteristics most associated with successful entrepreneurs were examined and compared with one's own ability and personal characteristics.	Show Transparency Number 14.
3. An effective business plan and its content were discussed and the importance of the business plan in obtaining potential funding, as well as evaluating the potential enterprise.	Show Transparency Number 23.
4. Successful entrepreneurs are managers and leaders who have been able to get all parts of the business working together to achieve the firm's goals.	Show Transparency Number 40.
Thank class members for attending. Distribute course evaluation forms.	

ENROLLEE INFORMATION FORM

Name:

Phone Number:

Work Address:

Employer:

Number of years with present employer:

Your present position:

Your major hobbies:

What type of business are you planning to enter into?

What preliminary investigation have you done into this business area?

What do you consider to be the largest obstacles that you will face in getting your potential business venture "off the ground"?

Any additional information you care to provide?

WORKSHEET #1

EVALUATION OF SMALL BUSINESS PERCEPTIONS

For each statement, circle the letter(s) that best reflect(s) your opinion. This instrument is a measure of your perceptions and opinion regarding small business.

where A = Agree
N = Neutral
D = Disagree

A N D 1. Small business ownership and management is a practical career opinion.

A N D 2. Most of the capital for small businesses is supplied by larger corporations.

A N D 3. Defining a small business is an easy task.

A N D 4. Many small businesses are independently owned.

A N D 5. A small business is not able to cope with changing economic situations as rapidly as a larger business.

A N D 6. It is highly probable that a bank will loan an individual with a good business idea the money needed to begin operation.

A N D 7. Large businesses have a better chance for success in today's economic and social environment than small businesses.

A N D 8. Giant corporations dominate our business system to such a degree that small businesses cannot successfully compete.

A N D 9. Small businesses are outnumbered by large businesses in the United States.

A N D 10. Small business contributes a great deal to the growth of the economy of the United States each year.

A N D 11. Most successful small businesses are in the retail field and sell directly to the consumer.

A N D 12. Working for someone else and having steady income and a secure job is better than owning a small business where regular income is not guaranteed.

A N D 13. Most small business owners are highly motivated toward achievement.

A N D 14. Most successful small business owners seek new challenges.

WORKSHEET #1 (con't)

A N D 15. The primary reason people tend to go into business for themselves is to make large profits.

A N D 16. The freedom associated with being your own boss allows the small business owner to pursue many interests outside the business.

A N D 17. Individuals either have the necessary personal characteristics to be a small business owner or they do not. These personal characteristics cannot be acquired.

A N D 18. The successful small business owner is usually willing to take moderate rather than high risks.

A N D 19. It is essential that the successful small business owner be an innovative individual.

A N D 20. The success of small business owners depends to a great extent on their ability to solve problems and make decisions.

A N D 21. It is essential that a person who owns and manages a business possess leadership qualities.

A N D 22. The successful small business owner can get along well with all types of people.

A N D 23. It is necessary for small business owners to believe in themselves.

A N D 24. The future for small business in the United States is bright.

A N D 25. The best thing about small businesses is that they are not affected by high interest rates and inflation.

A N D 26. Those businesses which are presently most successful will probably remain successful into the future.

A N D 27. Converting a hobby into a full time business is never a feasible alternative.

A N D 28. Most small business failures can be attributed to factors that the owner cannot control.

A N D 29. The majority of new small businesses end in failure within five years.

A N D 30. Small business failures are generally the result of larger businesses taking over.

SMALL BUSINESS PERCEPTIONS RATING GUIDE

The following are the answers to the "Evaluation of Small Business Perceptions" worksheet. Use this rating guide to help summarize each of the respective lesson sections.

PART I

Question Number	Answer
1	A
2	D
3	D
4	A
5	D
6	A
7	D
8	D
9	A
10	A
11	A

PART II

Question Number	Answer
12	N,D
13	A
14	A
15	D
16	D
17	D
18	A
19	A
20	A
21	A
22	A
23	A

PART III

Question Number	Answer
24	N,D
25	D
26	A
27	D
28	D
29	D
30	D

WORKSHEET #2

ENTREPRENEUR CHECKLIST

Research has suggested certain traits and characteristics to be related to entrepreneur success. Although there is no one test able to determine whether or not a person will be a successful entrepreneur, this "Entrepreneur Checklist" is designed to allow one to compare their tendencies with those qualities of successful entrepreneurs.

Circle the letter(s) that best reflect(s) your tendencies regarding the statements below.

where SA = Strongly Agree
A = Agree
D = Disagree
SD = Strongly Disagree

1.	I am a self-starter.	SA	A	D	SD
2.	I get along with all types of people.	SA	A	D	SD
3.	I can communicate my thoughts effectively before a group.	SA	A	D	SD
4.	I like to organize things before I start.	SA	A	D	SD
5.	I take responsibility for things and see them through.	SA	A	D	SD
6.	I am a hard worker.	SA	A	D	SD
7.	I am able to think quickly and make decisions.	SA	A	D	SD
8.	I am trustworthy.	SA	A	D	SD
9.	If I make up my mind to do something, I'll see it through.	SA	A	D	SD
10.	I have plenty of energy and can keep going indefinitely.	SA	A	D	SD
11.	I am confident in my abilities.	SA	A	D	SD
12.	I am willing to take moderate risks in the pursuit of a goal.	SA	A	D	SD
13.	I am a creative person.	SA	A	D	SD

Adapted from Small Business Administration checklist.

WORKSHEET #2 (con't)

ENTREPRENEUR CHECKLIST ANALYSIS

To Score the Checklist:

FIRST assign the following values to each rating;

Strongly Agree = 4
Agree = 3
Disagree = 2
Strongly Disagree = 1

SECONDLY, sum the scores for each item.

THIRDLY, analysis score using the Rating Table below.

RATING TABLE

46 - Above	Possess strong entrepreneurial tendencies.
33 - 45	Has entrepreneurial tendencies.
20 - 32	Lacking of entrepreneurial tendencies.
Below - 19	Severely lacking of entrepreneurial tendencies.

WORKSHEET #3

BUSINESS PLAN OUTLINE

In planning your potential business, you will have to consider many questions including, but not limited to, the following:

A. IDENTIFICATION OF THE BUSINESS (What is my business?)

1. What is your product and/or service? (What do I sell?)
2. What customers services will I provide? (What should I provide to my customers?)
3. Where do I expect to make the most profit?
4. What type of ownership will I have?

B. MARKET AREA (What is my market area?)

1. Who are my customers?
2. Where do they come from?
3. What are the economic characteristics of my customers?
4. How can I reach my market?

C. COMPETITION (Who is my competition?)

1. Who else has the same type of business?
2. What are their strengths and weaknesses?
3. How can I be more competitive?

D. FINANCE (How much money do I need and where will it come from?)

1. How much money will I need?
   a. What will my start up costs be?
   b. What will my operating expenses be?
   c. What will my personal living costs be?
   d. What is my personal net worth?

2. Where can I obtain money?

   a. What are the prevailing interest rates?

   b. How long will I have to repay the loan?

   c. What other sources do I have to obtain money?

E. LEGAL ISSUES (What legal aspects should concern me?)

1. What laws and regulations apply to my business?
2. Do I need a license or permit?
3. What type of insurance will I need?
4. What taxes will I have to pay?

F. LOCATION (Where should the business be located?)

1. What kind of community needs my products or services?
2. Should I buy or lease the specific site?
3. What are the traffic patterns at the specific site?
4. What is the accessibility of the specific site?
5. How will the specific site in the community affect my business?
6. Where are my competitors located?
7. What are the specifics concerning the site that I am considering?
8. What local ordinances affect the site?

G. PERSONNEL (What are my employee needs?)

1. What kind of employees do I need?
2. How will the work flow in my business (organizational chart)?
3. Where will I find employees?

WORKSHEET #3 (con't)

H. OTHER PERTINENT INFORMATION NEEDED

1. Have similar businesses succeeded or failed?

2. What are the economic characteristics of the community?

3. What type of "professional" assistance am I going to need?

COMPARING COMPETITORS

Once you have identified your competitors, you should determine the strengths and weaknesses of each. One way of evaluating the competition is to visit each potential competitor's place of business. Observe what is going on and make notes of your observations. A summary of your observations will provide you valuable information about what the competition is doing.

Elements to be Compared:

1. PRODUCTS AND SERVICES OFFERED:

   Large Selection Average Selection Poor Selection

COMMENTS:

2. CUSTOMER SERVICES OFFERED:

   Many Few None

COMMENTS:

3. LOCATION:

   Good Fair Poor

COMMENTS:

4. PRICES:

   High Average Low

COMMENTS:

5. AMOUNT OF ADVERTISING:

   Large Amount Average Amount Small Amount

COMMENTS:

6. IMAGE

Good Fair Poor

COMMENTS:

7. OTHER FACTORS:

WORKSHEET #5

FINANCIAL NEEDS

EXPENSES

Personal Financial Needs (monthly)

A. Rent or mortgage payment on home
B. Insurance (life, home, health, auto)
C. Real estate taxes
D. Payments on debts
E. Charitable contributions
F. Utilities (water, gas, electricity, telephone)
G. Medical (doctors, prescriptions)
H. Groceries
I. Meals away from home
J. Clothing
K. Car operation and expense
L. Recreation
M. Educational costs
N. Personal (i.e. beauty shop)
O. Laundry and dry cleaning
P. Other expenses

START-UP COSTS

A. Equipment, machinery, fixtures
B. Charges for installation
C. Decorating and remodeling
D. Beginning inventory
E. Deposits for utilities
F. Fees for accountants/lawyers
G. Licenses and permits
H. Promotion methods at "grand opening"
I. Cash for unexpected needs

OPERATING EXPENSES (monthly)

A. All wages and salaries
B. Rent or payments
C. Advertising and sales promotion
D. Delivery expenses
E. Supplies and utilities
F. Utilities
G. Insurance (all types)
H. Taxes (federal, state, local)

I. Interest on debt
J. Repairs and maintenance
K. Fees for accountants/lawyers
L. Employee training costs
M. Unexpected needs

TOTAL PERSONAL FINANCIAL NEEDS:

TOTAL START-UP COSTS:

TOTAL OPERATING EXPENSES:

This monthly estimate should be planned for a minimum of a three month period of time. If the money will not be available, you would be wise to delay the starting of the business.

COMMUNITY ANALYSIS

BASIC FACTORS

1. Size of Trading Area

2. Population
   (number, trend, income groups, educational level, family size, extent of home ownership, etc.)

3. Total Purchasing Power
   (sources of income, employment conditions, etc.)

4. Competitive Situation
   (number, size, quality of existing businesses handling related items)

5. Progressiveness of Community
   (new construction, school system, civic activities, police and fire protection, public transportation, street improvement, public parking facilities)

SECONDARY FACTORS

1. Advertising Media
   (coverage, cost)

2. Credit and Collection Services

3. Labor Market Conditions
   (suitable employees at reasonable wages)

4. Delivery Service

5. Wholesale Sources of Supply

6. Banks and Financial Institutions

7. Insurance Rates

8. Legal Restrictions
   (licensing requirements, tax obligations)

LOCATION EVALUATION

In evaluating potential sites for your business in a community use the following guidelines:

1. TYPE OF PROPERTY (Vacant, residential, existing business or other?)

   A. Size and dimensions of lot

   B. Improvements and preparation needed

   C. Utilities available

Rating: Excellent Good Fair Poor

COMMENTS:

2. COST

   A. Rent or lease cost

   B. Buying price

   C. Cost of improvements needed

Rating: Excellent Good Fair Poor

COMMENTS:

3. LOCATION OF PROPERTY

   A. Position within the block

   B. Main traffic street

   C. Type of neighborhood (residential, business, or highway?)

   D. Parking available

Rating: Excellent Good Fair Poor

COMMENTS:

4. TRAFFIC INFORMATION

   A. Sex of pedestrians

   B. Age of pedestrians

   C. Destination of pedestrians

   D. Pedestrian traffic count

   E. Auto traffic count

   F. Peak traffic hours

   G. Proposed changes in highway or street

   H. Type of public transportation available

Rating: Excellent Good Fair Poor

COMMENTS:

5. COMPETITION

   A. Number of businesses in the area

   B. Type of businesses in the area

   C. Type of businesses across the street

   D. Number of vacancies

   E. Sales of nearest competitors

Rating: Excellent Good Fair Poor

COMMENTS:

6. LEGAL INFORMATION

A. Zoning restrictions

B. Legal description of property (from courthouse records)

C. Legal ownership

D. History of sale

E. Assessed value

F. Tax rate

G. Mortgages against property

Rating: Excellent Good Fair Poor

COMMENTS:

7. THE BUILDING

A. Condition

B. Frontage (in feet)

C. Depth (in feet)

D. Appearance

E. Heating and air conditioning system (type)

F. Lighting

G. Entrances

H. Display space (if needed)

Rating: Excellent Good Fair Poor

COMMENTS:

8. SITE CHARACTERISTICS

A. Visibility of location

B. Fire hazards

C. Neighboring facilities

D. Disagreeable odors, smoke, dust, etc.

E. Poor sidewalks and streets

F. Other:

Rating: Excellent Good Fair Poor

COMMENTS:

SELF ANALYSIS FOR MANAGERIAL POTENTIAL

Answer each question by putting a circle around "yes" or "no."

Yes No 1. Do you have a burning desire to get ahead?

Yes No 2. Do you get reports or similar tasks out on time?

Yes No 3. Do you have definite goals for yourself?

Yes No 4. Do you sincerely attempt to discover and analyze your weaknesses?

Yes No 5. Do you discuss your weak points with your superior?

Yes No 6. Do you study outside of job hours?

Yes No 7. Do you have duties you feel should not be assigned to you?

Yes No 8. Do you have duties to perform for which you feel you lack sufficient authority?

Yes No 9. Does your worth to the organization continue to increase?

Yes No 10. Are you genuinely interested in and concerned for people?

Yes No 11. Have you ever quit or transferred because you did not like your job?

Yes No 12. Are you performing better than expected?

Yes No 13. Do you require less supervision than you did six months ago?

Yes No 14. Do you keep your promises?

Yes No 15. Do you make suggestions for improvements?

Yes No 16. Do you frequently ask questions?

Yes No 17. Do others frequently ask you questions?

Yes No 18. Are you as "mature" as you feel a manager should be?

Yes No 19. Are you willing to accept new responsibilities when the opportunity arises?

Yes No 20. Do you refrain from criticizing other departments or the company?

Yes No 21. Do you know where you stand and what you need to do to attain your goals?

Yes No 22. Do you know something about other jobs and the authority limits of each job in your firm?

Yes No 23. Do you seek help in learning more about your job?

Yes No 24. Do other employees seek information and advice from you?

Yes No 25. Do you participate in (or lead) group discussions within the organization?

Yes No 26. Do you seek and accept opportunities to promote the organization?

Yes No 27. Are you able to communicate instructions effectively to others?

ANSWERS TO SELF-ANALYSIS FOR MANAGERIAL POTENTIAL

The answer to questions 7, 8, and 11 is "no." Let us assume that the "correct" answer to each question is "yes." Each question that you answered incorrectly indicates an area in which your managerial abilities need to be improved. Give yourself one point for each correct answer and consult the rating scale below to see how well you scored.

RATING SCALE:

27 - 25	Executive Level
24 - 22	Middle Management
21 - 19	First Line Supervision
18 - 16	Employee
15 and below	Still in Training

MOTIVATIONAL SELF-CHECK

Answer each question by putting a circle around "yes" or "no."

Yes No 1. Do you manage to keep calm and even tempered under the inevitable pressures and strains of the job?

Yes No 2. Do you make promises only when you know you can keep them?

Yes No 3. Do you feel that complaints which appear insignificant should be ignored?

Yes No 4. Do you feel that managers should be strict with some employees and lenient with others?

Yes No 5. Do you cooperate and get along well with persons in positions of authority?

Yes No 6. Can you refuse another's request without making him/her feel antagonistic toward you?

Yes No 7. Do you think that when a manager gets too friendly with employees they begin to lose respect for them?

Yes No 8. Do you think managers should ask employees' opinions about work improvements?

Yes No 9. Do you feel that reasons for changes in policies and procedures should be explained?

Yes No 10. Do you feel that an employee should be told the reason behind an order or assignment?

Yes No 11. Do you tend to be impatient?

Yes No 12. Do you give credit where credit is due?

Yes No 13. Do you praise good work as well as criticize poor work?

Yes No 14. Do you try to see the other person's point of view?

Yes No 15. Do you refrain from making sarcastic remarks?

KEY TO MOTIVATIONAL SELF-CHECK

When you have finished checking through the answers, you will have a better awareness of your ability to handle others, and can determine just where you need improvement. You will probably find that you are stronger in some habits and attitudes; weaker in others. Keep building up your strong points. Develop a program for the elimination of those weak points which may be keeping you from advancement.

1. YES. A manager who cannot control themself can hardly hope to control others. Self-control under all circumstances gives you that poise and sureness which commands respect and loyalty.

2. YES. Promises should not be made lightly. They should always be made with a full grasp of whatever circumstances might arise that would make it impossible to keep them. Make those circumstances very clear to the person at the time promises are made. A manager who feels that they can make promises and not keep them is making a bad mistake. A person cannot be a good leader unless they show integrity of thought and action and earn the confidence of their personnel and belief in their word. When you promise anything, do everything you can to deliver.

3. NO. No complaint is insignificant to the person making it. Even if the gripe is unjustified, there's no denying the fact that the employee does not think so. What you might consider unimportant looms very large in their eyes. An individual remains a problem if their complaint is taken lightly. It is your job to ease ill tempers, not aggravate them by inattention.

4. NO. If you are, teamwork goes out the window. Avoid any possible criticism that you are playing favorites. When one employee is allowed to get away with something and another is not, discipline suffers. Don't give special privileges unless a special situation warrants it and everyone understands it.

5. YES. Share your thoughts and experiences with managers and others in authority. Talk to them about production and personnel problems as well as successful methods and ideas.

6. YES. An abrupt "No" to a request is sure to arouse hostility. When one is told why their request cannot be granted, an individual will accept that refusal without showing ill will. Refusing tactfully requires that you make one feel your personal regret.

7. NO. A cold or indifferent attitude doesn't add to your stature. It is much more important to be firm and decisive at the right moment than to be aloof all the time. You can be friendly without losing authority. The manager who gets "real respect" is the one who is technically competent and has a sincere interest in his/her employees. The seclusive manager, whether technically competent or not, is handicapped by his/her lack of social contact; and that attitude is fatal in anyone whose job is to influence people and direct them.

8. YES. Soliciting an employee's suggestions has a two-fold objective. First, the person on the job is probably more familiar with their particular job than anybody else. They are often in the best position to give you ideas for improvements. Secondly, it gives you a chance to satisfy the employee's desire for recognition. When you ask a person what they think, you plant in them the seeds of self-assurance and self-satisfaction.

9. YES. The "why" of certain policies may not be as obvious to employees as it is to the manager. Talking about a change of policy does much to overcome resistance; it gains cooperation.

10. YES. When a worker knows the reason for doing a job a certain way, they feel that they have your confidence. That feeling is essential to good human relations.

11. NO. Patience is an essential quality in the handling of employees. Many people do not possess an alert and quick-grasping mind which is the mark of a good manager. Being impatient with them doesn't serve to speed things up; it produces confusion and delays. It makes employees nervous; crowds them so that they become less capable of getting out the work; and often plants the seeds of resentment and a feeling of being unjustly rushed. Be patient in giving personnel instructions, in training time, in setting time limits for work, in cultivating better work habits. The slower way around will often lead you to your goal more quickly.

12. YES. Don't hog all the credit. If you do, you will be resented by your employees. They will hold back on their initiative and cooperation. Give them the recognition they want, need, and deserve.

13. YES. It is natural for a manager to think that since employees are paid to do their work well there is no special need for praise. But every human craves credit and praise. A practice which is very aggravating to an employee is always to be blamed for making a mistake, but not to be praised when a good job is done. Praise is an important psychological incentive to better work and adds much to an individual's job satisfaction.

14. YES. It takes more than goodwill to see someone else's point of view. Involved is not only a willingness to listen; but, equally important is the readiness to temporarily dismiss one's own opinion and look at the issue with a new pair of eyes–the other fellow's. This isn't easy. It requires, primarily, an attitude of objectivity toward one's own notions and ideas.

15. YES. It is easy to commit this error when the occasion calls for a reprimand or correction of mistakes. But it is difficult to deal with the varied emotional reactions which such comments generate in the employee involved. Sarcasm makes workers feel inferior, produces resentment, and invites angry rebellion. A manager who uses sarcasm as a way to influence their personnel is deficient in leadership ability.

MANAGING AND STARTING YOUR OWN BUSINESS

SESSION CRITIQUE REPORT

Name

Date

1. Major points I gained from this session:

2. Additional questions I have about the topic:

3. What I liked best about the session:

4. How this session could be improved:

5. Items I hope we cover in the remainder of the course.

STARTING AND MANAGING YOUR OWN BUSINESS

COURSE EVALUATION FORM

COMMUNITY:

Your assistance in providing the information requested below will be greatly appreciated.

1. How satisfactory was the course?

   Excellent Good Fair Unsatisfactory

2. Will you be able to apply the information in formulating a business venture?

   Yes No

3. How satisfactory were the worksheets and materials?

   Excellent Good Fair Unsatisfactory

4. How satisfactory were the audio-visual materials?

   Excellent Good Fair Unsatisfactory

5. The instructor's qualifications, attitude, and organization were:

   Excellent Good Fair Unsatisfactory

   COMMENTS:

6. What topics did you find most helpful?

7. What suggestions do you have for improving the course?

8. Would you recommend this course for others considering going into their own business?

   Yes No

9. Additional comments:

RESOURCES FOR THE SMALL BUSINESS

MAJOR INFORMATION SOURCES:

ASSOCIATIONS:
These groups generally have available valuable information concerning small businesses, in addition to offering training workshops, doing research on small business and lobbying for support in federal and state legislatures.

GOVERNMENT AGENCIES:
These agencies provide information and support personnel to help the small business. There are several thousand publications of interest to small business owners available through United States Government Documents.

UNIVERSITIES:
Universities offer a variety of courses in their business schools. There are many resources available at the universities that can provide assistance.

COMMERCIAL, TECHNICAL, AND PRIVATE SCHOOLS:
These institutions offer management and business courses in accounting, office management, economics, and a variety of valuable subjects of interest to the small business owner.

CHAMBER OF COMMERCE:
This organization provides leadership in community and business matters, and helps to promote common business concerns in their local communities.

BETTER BUSINESS BUREAU:
This bureau stresses self-regulation and helps trade associations to police their members in ethical issues. It promotes fair competition, exposes frauds, protects communities, reduces complaints, and screens solicitors.

BUSINESS ASSOCIATIONS:

AMERICAN MANAGEMENT ASSOCIATION
135 W. 50th Street
New York, New York 10020

ASSOCIATION OF MANAGEMENT CONSULTANTS
811 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202

COUNCIL OF INDEPENDENT MANAGERS (CIM-SAM)
SOCIETY FOR THE ADVANCEMENT OF MANAGEMENT
8147 Jackson Park Boulevard
Milwaukee, Wisconsin 53213

NATIONAL ASSOCIATION OF SMALL BUSINESS
INVESTMENT COMPANIES
512 Washington Building
Washington, D.C. 20005

NATIONAL BUSINESS LEAGUE
4324 Georgia Ave. N.W.
Washington, D.C. 20011

NATIONAL COUNCIL FOR SMALL BUSINESS
MANAGEMENT DEVELOPMENT
c/o University of Wisconsin-Extension
929 North Sixth Street
Milwaukee, Wisconsin 53203

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
150 West 20th Avenue
San Mateo, California 94402

NATIONAL SMALL BUSINESS ASSOCIATION
1225 19th St. N.W.
Washington, D.C. 20036

SMALLER MANUFACTURERS COUNCIL (SMC)
339 Boulevard of Allies
Pittsburgh, Pennsylvania 15222

SOCIETY FOR ENTREPRENEURSHIP RESEARCH
AND APPLICATIONS (SERA)
or the Center for Venture Management
811 East Wisconsin Ave.
Suite 945
Milwaukee, Wisconsin 53202

GOVERNMENT AGENCIES:

DEPARTMENT OF AGRICULTURE
Washington, D.C. 20230

DEPARTMENT OF COMMERCE
Washington, D.C. 20506

BUSINESS AND DEFENSE SERVICES
ADMINISTRATION (BDSA)
Washington, D.C. 20250

BUREAU OF THE CENSUS
Washington, D.C. 20233

FEDERAL TRADE COMMISSION (FTC)
Washington, D.C. 20580

SMALL BUSINESS ADMINISTRATION (SBA)
Washington, D.C. 20416

PROFESSIONAL ASSISTANCE:

ACCOUNTANTS (CPA's):
These professionals can help in setting up the business's record keeping system. This will facilitate tax reporting, cash flow records, employee records, accounts receivable, etc.

ATTORNEYS:
This group of professionals can assist in partnership agreements, articles of incorporation, lease agreements, and the purchasing of property. The attorney may also help in credit policy, labor negotiations, patents, antitrust, buyout details, and compliance with local ordinances.

BANKERS:
These professionals can be of tremendous help in financial matters, public relations, and in many other financial related topics.

INSURANCE AGENTS:
These professionals can help in analyzing risks and provide a pad against financial disaster due to some uncontrollable events.

CONSULTANTS:
These professionals specialize in advising on engineering, designing, marketing, financing, management and other matters.

SELECTED PUBLICATIONS:

Periodicals:

BUSINESS & SOCIETY REVIEW
870 Seventh Avenue
Tower Suite
New York, New York 10019

BUSINESS TODAY
Green Hall Annex
Princeton, New Jersey 08540

BUSINESS WEEK
1221 Avenue of the Americas
New York, New York 10020

BUSINESS WORLD
930 Clifton Avenue
Clifton, New Jersey 07013

THE BANKERS MAGAZINE
89 Beach Street
Boston, Massachusetts 02111

BARRON'S NATIONAL BUSINESS &
FINANCIAL WEEKLY
22 Cortlandt Street
New York, New York 10007

BUSINESS & GOVERNMENT "INSIDER" NEWSLETTER
2315 Broadway
New York, New York 10024

COMMERCE MAGAZINE
110 S. Michigan Ave.
Chicago, Illinois 60603

THE COMMERCIAL RECORD
750 Old Main Street
Rocky Hill, Connecticut 06067

DUN'S
Dun & Bradstreet Publications Corp.
466 Lexington Ave.
New York, New York 10017

DUN'S REVIEW
666 Fifth Ave., 9th fl.
New York, New York 10019

JOURNAL OF SMALL BUSINESS MANAGEMENT
Editor, Stanley J. Kloc, Jr.
Bureau of Business Research
West Virginia University
Morgantown, West Virginia 20506

THE KIPLINGER WASHINGTON LETTER
1729 H Street N.W.
Washington, D.C. 20006

FORBES
1015 Fifth Ave.
New York, New York 10011

FORTUNE
1271 Ave. of the Americas
New York, New York 10020

NATION'S BUSINESS
1615 H Street N.W.
Washington, D.C. 20026

TODAY'S MANAGER
1111 Chester Avenue
Cleveland, Ohio 44114

TRAINING
One Park Avenue
New York, New York 10016

WALL STREET REPORTS
120 Wall Street
New York, New York 10005

THE WALL STREET TRANSCRIPT
120 Wall Street
New York, New York 10005

WASHINGTON REPORT
1615 H Street N.W.
Washington, D.C. 20062

Readings:

AMERICAN SMALL BUSINESSMAN
John M. Benzel
Alfred A. Knopf, Inc. 1962
New York, New York

ENTREPRENEURIAL DIMENSIONS OF MANAGEMENT
G. Jay Anyon
Livingston Publishing Company
18 Hampstead Circle
Wynnewood, Pennsylvania 19096

ENTREPRENEURSHIP: PLAYING TO WIN
Gordon B. Baty
Reston Publishing Company, Inc. 1974
Reston, Virginia

FUN & GUTS-THE ENTREPRENEUR'S PHILOSOPHY
Joseph Mancuso
Addison-Wesley 1973
Reading, Massachusetts

HOW TO MAKE MONEY IN YOUR OWN BUSINESS
Ernest R. Field
Prentice-Hall, Inc. 1965
Englewood Cliffs, New Jersey

HOW TO ORGANIZE AND OPERATE A SMALL BUSINESS, 5th Ed.
C.M. Baumback, K. Lawyer, and P.D. Kelley
Prentice-Hall, Inc. 1973
Englewood Cliffs, New Jersey

HOW TO RUN A SMALL BUSINESS
J.K. Lasser
McGraw-Hill Book Co. 1963
New York, New York

HOW TO START & MANAGE YOUR OWN BUSINESS
Gardiner G. Greene
McGraw-Hill Book Co. 1975
New York, New York

NEW ENTERPRISE MANAGEMENT
Melvin J. Stanford
Brigham Young University Press 1975
Provo, Utah 84602

SMALL BUSINESS MANAGEMENT, 3rd Ed.
H.N. Broom and J.G. Longenecker
South-Western Publishing Co. 1971
Burlingame, California

STARTING AND SUCCEEDING IN YOUR OWN SMALL BUSINESS
Louis L. Allen
Gosset & Dunlap 1968
New York, New York

STRENGTHENING SMALL BUSINESS MANAGEMENT
Joseph Schabacker
Small Business Administration 1972
Washington, D.C.

THE ENTERPRISING MAN
O. Collins and D. Moore
University of Michigan 1964
Ann Arbor, Michigan

THE ENTREPRENEUR'S HANDBOOKS
Joseph Mancuso
Artech House
610 Washington Street
Dedham, Massachusetts 02026

ENTREPRENEUR BIBLIOGRAPHY

Bandari, Narendra C., Cases in Small Business Management Cincinnati: South-Western Publishing Co., 1979.

Broom, H.N., and Justin G. Longenecker, Small Business Management, 5th ed., Cincinnati: South-Western Publishing Co., 1979.

Crawford, Lucy C., and Eugene L. Dorr, Supervisory Skill in Marketing, New York: McGraw-Hill, 1978.

Ely, Vivien K., Michael T. Barnes, and Eugene L. Dorr, Starting Your Own Marketing Business, 2nd ed., New York: McGraw-Hill, 1978.

Harmon, Paul, Small Business Management: A Practical Approach, New York: D. Van Nostrand Company, 1979.

Hutt, Roger W., Creating a New Enterprise, Cincinnati: South-Western Publishing Co., 1982.

Mancuso, Joseph R., How to Start, Finance, and Manage Your Own Small Business, Englewood Cliffs: Prentice-Hall, Inc., 1978.

Nelson, Robert E., et al., Owning and Operating a Small Business: Strategies for Teaching Small Ownership and Management, Springfield, Illinois: Illinois Office of Education, Department of Adult, Vocational and Technical Education, Professional and Curriculum Development Section, 1976.

National Center for Research in Vocational Education, PACE (A Program for Acquiring Competence in Entrepreneurship), Columbus, Ohio: The Ohio State University, National Center for Research in Vocational Education, 1980.

Training Research and Development Station, Department of Manpower and Immigration, Introducing the Small Business Management Course, Modern Press: Saskatoon, Sask., 1973.

U.S., Cong., House, Committee on Small Business, Subcommittee on General Oversight, Impact of the Reagan Economic Program on Small Business, Hearing, 97th Cong., 1st sess., 19 May 1981, Washington, D.C.: GPO, 1981.

U.S. Cong., House, Committee on Small Business, Federal Monetary Policy and its Effects on Small Business, Report, 96th Cong., 2nd sess., 30 Sept. 1980, Washington, D.C.: GPO, 1980.

U.S. Cong., Joint Economic Committee Congress of the United States, The Role of Small Business Enterprise in Economic Development, Study, 97th Cong., 1st sess., 14 May 1981, Washington, D.C.: GPO, 1981.

U.S. Small Business Administration, Annual Report: FY 1980, Vol. 1, Washington, D.C.: GPO, 1980.

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U.S. Small Business Administration, Office of Management Counseling Services, The Best of SBI Review 1973-1979, Washington, D.C.: GPO, 1980.

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U.S. Small Business Administration, Office of Advocacy, The Study of Small Business: Part I, 3 June 1977, Washington, D.C.: GPO, 1977.

U.S. Small Business Administration, Office of Advocacy, The Study of Small Business: Part II–What is a Small Business?, 3 June 1977, Washington, D.C.: GPO, 1977.

U.S. Small Business Administration, Office of Advocacy, The Study of Small Business: Part III–The Impact of Taxation on Small Business: A Proposal for Reform, 3 June 1977, Washington, D.C.: GPO, 1977.

White, Richard M., Jr., The Entrepreneur's Manual, Radnor: Chilton Book Co., 1979.

Winston, Sandra, The Entrepreneurial Woman, New York: Newsweek Book, 1979.

COURSE OBJECTIVES

TO EXPLORE THE NATURE OF ENTREPRENEURSHIP AND EXAMINE AS A CAREER ALTERNATIVE

TO IDENTIFY PERSONAL INCLINATIONS TOWARD ENTREPRENEURSHIP

TO PROVIDE INFORMATION RELATED TO THE PROBLEMS IN ESTABLISHING A SMALL BUSINESS

Transparency No. 1 / 114

WHAT IS A SMALL BUSINESS?

MANAGEMENT IS INDEPENDENT

CAPITAL IS SUPPLIED AND OWNERSHIP
IS HELD BY AN INDIVIDUAL OR SMALL GROUP

OPERATIONS IS MAINLY LOCAL

BUSINESS IS RELATIVELY SMALL COMPARED TO
OTHERS IN THE SAME FIELD

ELEMENTS OF SMALL BUSINESSES

INDEPENDENTLY OWNED

SMALL IN SIZE AND PRIMARILY IN RETAIL, WHOLESALE, AND SERVICE FIELDS

OWNER SUPPLIES MONEY FOR THE BUSINESS AND SERVES A LOCAL TERRITORY

OWNER IS PERSONALLY INVOLVED IN EVERY ASPECT OF OPERATIONS AND COMMUNITY AFFAIRS

SMALL BUSINESSES PROVIDE A SOURCE FOR JOBS AND ENHANCE COMMUNITY LIFESTYLE

ADVANTAGES OF SMALL BUSINESS OPERATIONS

PERSONAL SCALE OF BUSINESS OPERATIONS

ADAPT QUICKLY TO CHANGE

RELATIVELY LOWER TAXES

LESS RESTRICTIVE GOVERNMENT REGULATIONS

OPERATES INDEPENDENTLY

Transparency No. 4 / 117

DISADVANTAGES OF SMALL BUSINESS OPERATION

LACK OF SPECIALIZED MANAGEMENT

SHORTAGE OF WORKING CAPITAL

DIFFICULTY IN OBTAINING FINANCING

DIFFICULTY IN EXTENSIVE MARKETING RESEARCH

DIFFICULTY IN COMPETING WITH THE "ECONOMICS OF SCALE"

IMPORTANCE OF SMALL BUSINESS

"THE SMALL BUSINESS IS THE HEART AND SOUL OF OUR FREE ENTERPRISE SYSTEM. THE SMALL BUSINESS SECTOR HAS PLAYED, AN IMPORTANT PART IN PROVIDING INNOVATIVE DRIVE AND EMPLOYMENT GROWTH IN THE AMERICAN ECONOMY."

RONALD REAGAN, 1981

ROLE OF SMALL BUSINESS

DISTRIBUTE PRODUCTS OF LARGE BUSINESSES TO CONSUMER

PROVIDES GOODS AND SERVICES TO LARGER BUSINESSES

PERFORMS CERTAIN SERVICES BETTER THAN LARGE FIRMS

MAINTAINS AND REPAIRS CONSUMER PRODUCTS

GENERATES NEW IDEAS AND SERVICES FOR BETTER PRODUCTS

ESSENTIAL TO MAINTAIN A FREE AND COMPETITIVE SYSTEM

UPGRADE THE QUALITY OF LIFE

MAJOR FIELDS OF SMALL BUSINESSES

EXTRACTIVE ENTERPRISES

MANUFACTURING

WHOLESALING

RETAILING

SERVICES

RETAILING

OVER THE COUNTER

MAIL ORDER

DIRECT

VENDING

SERVICES

PERSONAL

BUSINESS

REPAIR

ENTERTAINMENT / RECREATION

HOTEL / LODGING

Transparency No. 10 / 123

ENTREPRENEUR DEFINED

"ONE WHO ORGANIZES, MANAGES, AND ASSUMES THE RISKS OF A BUSINESS ENTERPRISE."

WEBSTER'S DICTIONARY, 1981

ENTREPRENEURSHIP DEFINED

"THE ACT OF CREATING A NEW ENTERPRISE OR BUSINESS."

HUTT, 1982

ADVANTAGES OF BEING AN ENTREPRENEUR

PERSONAL SATISFACTION

INDEPENDENCE

PROFIT

JOB SECURITY

STATUS

Transparency No. 12 / 125

SHORTCOMINGS OF ENTREPRENEURSHIP

POSSIBLE LOSS OF INVESTED CAPITAL

UNCERTAIN OR LOW INCOME

LONG HOURS

ROUTINE CHORES / TASKS

LIFESTYLE CHANGES

TRAITS AND CHARACTERISTICS OF ENTREPRENEURS

ORGANIZING ABILITY

TECHNICAL KNOWLEDGE / TRAINING AND EXPERIENCE

DRIVE, ENTHUSIASM, AND DETERMINATION

PROBLEM SOLVING

HUMAN RELATIONS ABILITY

COMMUNICATIONS ABILITY

CREATIVITY

WILLINGNESS TO TAKE MODERATE RISKS

SELF CONFIDENCE

ECONOMIC CONDITIONS

INFLATION

INTEREST RATES

AVAILABILITY OF CAPITAL

SENSITIVITY TO BUSINESS CYCLES

SENSITIVITY TO BUSINESS CYCLES

MANUFACTURING

WHOLESALE TRADES

CONTRACT CONSTRUCTION

TRANSPORTATION, COMMUNICATION, PUBLIC UTILITIES

RETAIL TRADE

SERVICES

MINING

FINANCE, INSURANCE, AND REAL ESTATE

HIGH SENSITIVITY

LOW SENSITIVITY

Transparency No. 16 / 129

DEVELOPING IDEAS FOR ENTREPRENEUR OPPORTUNITIES

SOURCES: NEWSPAPERS

MAGAZINES

HOBBIES

MERCHANDISE SHOW

SURVEYS

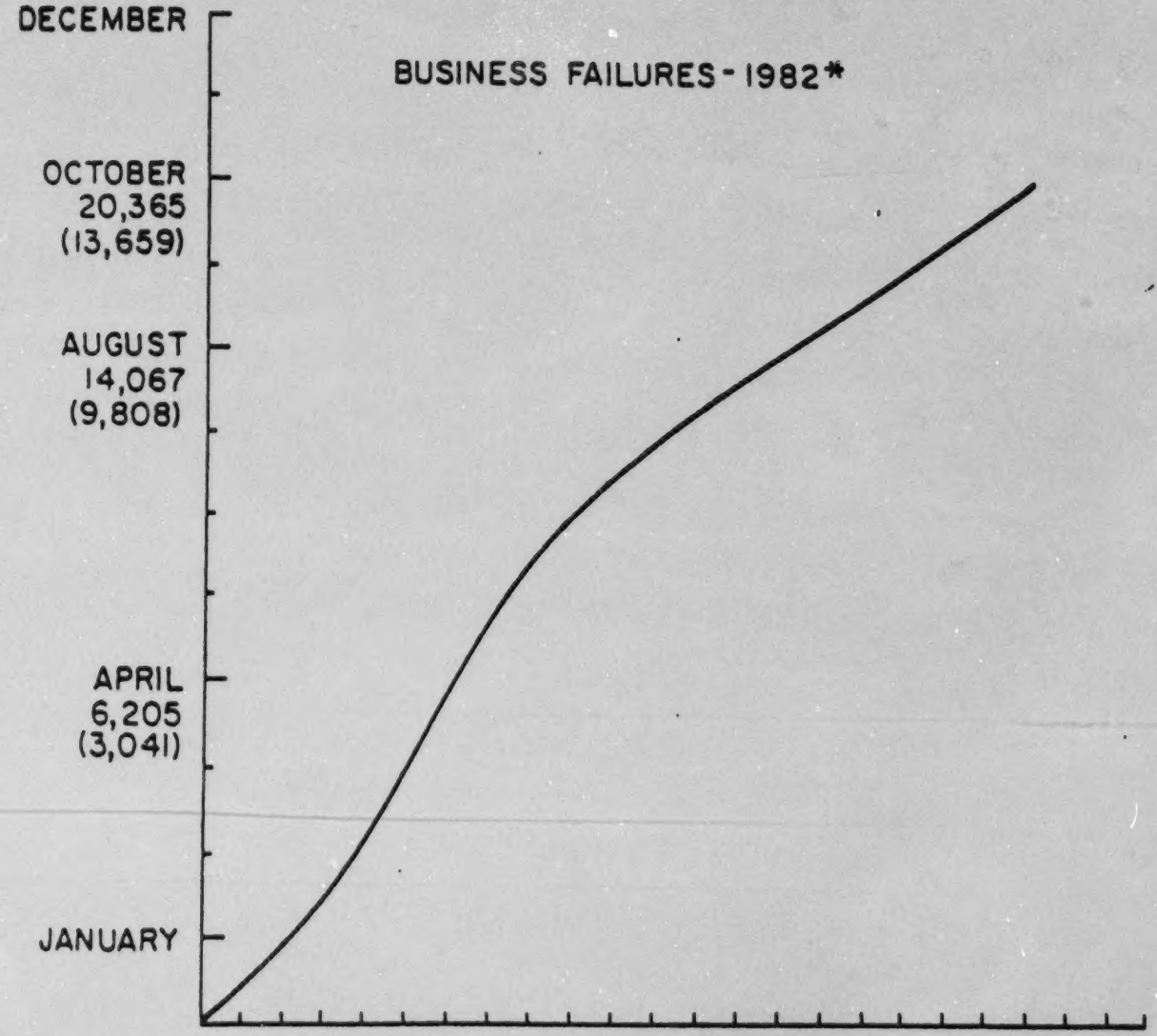
TRENDS

WAYS TO BECOME AN ENTREPRENEUR

PURCHASING AN EXISTING SMALL BUSINESS

BUILDING A NEW BUSINESS

BUYING A FRANCHISE



* FAILURES REPORTED BY DUNN AND BRADSTREET
(THOUSANDS)

FAILURE SYMPTOMS

WORKING CAPITAL

DECLINING SALES

DECLINING PROFITS

THE INDIVIDUAL BUSINESS PERSON

LACK OF KNOWLEDGE / TECHNICAL SKILL

MANAGERIAL SKILLS

PERSONALITY FACTORS

MANAGERIAL SKILLS

SKILLS NEEDED: FINANCIAL

EMPLOYEE RELATIONS

SUPPLIES

CUSTOMERS

TYPES OF MANAGERS: PROACTIVE (BEFORE THE FACT)

REACTIVE (AFTER THE FACT)

A BUSINESS PLAN HELPS TO CHANGE IDEAS TO REALITIES.

FACTS

FIGURES

INFORMATION

--- LEAD TO -->

UNDERSTANDING

KNOWLEDGE

SKILLS

--- PRODUCE -->

GOOD

DECISIONS

ELEMENTS OF A BUSINESS PLAN

IDENTIFICATION OF THE BUSINESS

MARKET AREA

COMPETITION

FINANCING

LEGAL ISSUES AND SERVICES

LOCATION

PERSONNEL

SOLE PROPRIETORSHIP

ADVANTAGES

EASY TO ESTABLISH

ALL PROFITS TO OWNER

ALLOWS FOR QUICK DECISIONS

BEING ONE'S OWN BOSS

SECRECY OF OPERATION

DISADVANTAGES

UNLIMITED LIABILITY OF OWNER

MANAGERIAL INEFFICIENCIES

EXPANSION RESTRICTED BY AMOUNT OWNER CAN INVEST

PARTNERSHIP

ADVANTAGES

GREATER CAPITAL

ENHANCED CREDIT STANDING

MANAGERIAL SPECIALIZATION

DEFINITE LEGAL STATUS

DISADVANTAGES

UNLIMITED PERSONAL LIABILITY

MANAGERIAL DISPUTES

LACK OF CONTINUITY

EXPANSION LIMITED BY CAPITAL PARTNERS CAN GENERATE

CORPORATION

ADVANTAGES

OWNERS' LIABILITY LIMITED

OWNERS' RIGHTS CAN BE TRANSFERRED

PERPETUAL LIFE

EASE OF EXPANSION

MANAGERIAL EFFICIENCY

160

DISADVANTAGES

HIGHER TAX RATES

ORGANIZATIONAL EXPENSE

GOVERNMENT RESTRICTIONS

LACK OF PRIVACY

161

FRANCHISES

ADVANTAGES

SITE SELECTION AID

LAYOUT, DESIGN, AND EQUIPMENT

MANUALS ON OPERATION

STORE OPENING ASSISTANCE

MANAGEMENT TRAINING AND ASSISTANCE

FINANCIAL COUNSEL

PROMOTIONAL SUPPORT

DISADVANTAGES

LOSS OF OPERATING FREEDOM

POLICY CONFLICTS

CONTRACT DISAGREEMENTS

TAKEOVERS BY FRANCHISORS

TERRITORIAL RESTRICTIONS

RESTRICTIONS ON MANAGEMENT

MARKET AREA

PEOPLE WHO NEED OR WANT THE PRODUCT OR SERVICE

PEOPLE WHO ARE ABLE TO BUY THE PRODUCT OR SERVICE

PEOPLE WHO ARE WILLING TO BUY THE PRODUCT OR SERVICE

Transparency No. 29 / 142

KNOW WHO THE CUSTOMERS ARE

KNOW WHAT THE CUSTOMERS WANT

KNOW WHERE THE CUSTOMERS BUY

KNOW WHEN THE CUSTOMERS BUY

KNOW HOW THE CUSTOMERS BUY

KNOW WHY THE CUSTOMERS BUY

FORCASTING SALES AND MARKET SHARE

STEP 1: DESCRIBE YOUR MARKET AREA

STEP 2: ESTIMATE TOTAL SALES

POPULATION DATA

SALES DATA

INCOME DATA

STEP 3: ESTIMATE SHARE OF SALES

BASED ON COMPETITORS

BASED ON MARKET AREA

FINANCING

START-UP COSTS

OPERATING EXPENSES

PERSONAL LIVING COSTS

PERSONAL NET WORTH

FOUR C'S OF CREDIT

CHARACTER

CAPACITY

CAPITAL

CONDITION

PRIMARY LOAN SOURCES

LIFE INSURANCE COMPANIES

PERSONAL FINANCE COMPANIES

COMMERCIAL FINANCE COMPANIES

COMMERCIAL BANKS

SAVINGS AND LOAN ASSOCIATIONS

CREDIT UNIONS

SMALL BUSINESS INVESTMENT COMPANIES

SMALL BUSINESS ADMINISTRATION

Transparency No. 34 / 147

QUESTIONS TO ASK AND ANSWER

WHY DO YOU NEED THE LOAN?

HOW MUCH DO YOU NEED?

WHEN DO YOU NEED THE LOAN?

HOW LONG WILL YOU NEED THE LOAN?

HOW CAN YOU REPAY THE LOAN?

Transparency No. 35 / 148

LEGAL ISSUES

CONTRACTS AND AGREEMENTS

CREDIT SALES CONTRACTS

INSURANCE

LEASE OF PROPERTY

LEASE OF EQUIPMENT

LICENSE/PERMITS

TAXES

OTHERS

CONTRACTS

EXPRESSED:	CONDITIONS EXPRESSED IN WRITTEN OR ORAL FORM
IMPLIED:	CONDITIONS UNDERSTOOD, THOUGH NOT EXPRESSED
FORMAL:	WRITTEN AND UNDER SEAL
UNILATERAL:	PROMISE BY ONE PERSON /ACTION BY ANOTHER PERSON
BILATERAL:	A PROMISE FOR A PROMISE

LOCATION

SPECIFIC COMMUNITY

- PERSONAL FACTORS
- ECONOMIC FACTORS
- COMPETITION

SPECIFIC SITE

- TRAFFIC PATTERNS
- POTENTIAL CUSTOMERS
- COMPETITORS
- BUILDING SITE

PERSONNEL

STEP 1: WHAT KIND OF WORK NEEDS TO BE DONE?

STEP 2: WHAT SORT OF PERSON IS NEEDED?

STEP 3: WHERE CAN EMPLOYEES BE FOUND?

STEP 4: POTENTIAL SOURCES FOR NEW EMPLOYEES?

MANAGEMENT FUNCTIONS

PLANNING FUNCTION

ORGANIZING FUNCTION

DIRECTING FUNCTION

CONTROLLING FUNCTION

FINANCE, ACCOUNTING, BOOKKEEPING FUNCTION

BUSINESS AND COMMUNITY RELATIONS

BUSINESS ETHICS

STEPS IN PLANNING

STEP 1: IDENTIFY THE PROBLEM

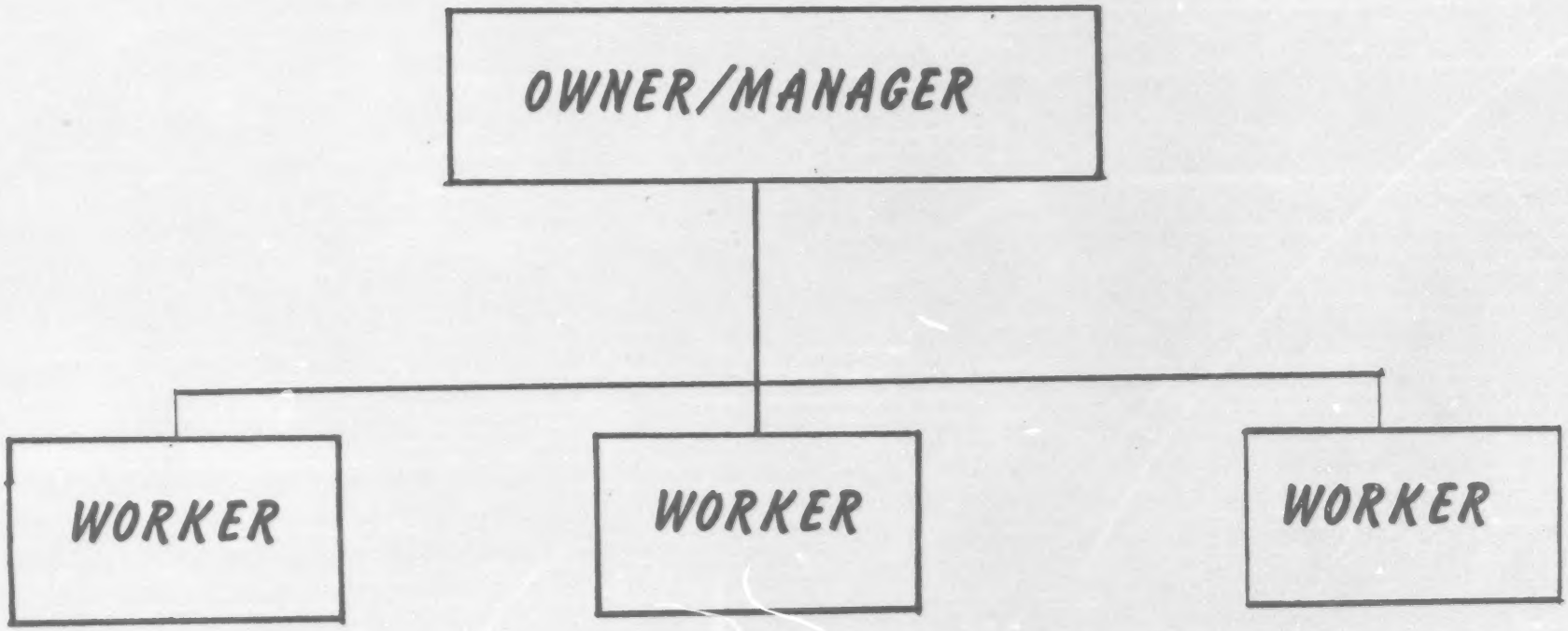
STEP 2: COLLECTING AND CLASSIFYING INFORMATION

STEP 3: DISTINGUISHING DIFFERENT COURSES OF ACTION

STEP 4: SELECTING A COURSE OF ACTION

STEP 5: EVALUATING THE COURSE OF ACTION

SIMPLE ORGANIZATION STRUCTURE



TYPES OF CONTROL

CONTROL OF SALES

CONTROL OF PROMOTION

CONTROL OF PERSONNEL

CONTROL OF PURCHASES AND INVENTORY

CONTROL OF PROFIT

MDE-83-110

STARTING AND MANAGING YOUR OWN BUSINESS IN THE 80'S

1. This is a presentation of The Media Center, State Fair Community College, Sedalia, Missouri.

2. MDE-83-110 Starting and Managing Your Own Business in the 80's.

3. Small businesses form an important part of the American economy and society. They offer career opportunities, strengthen the economy, and improve society as a whole.

4. Small businesses provide thousands of products and services distributed by small manufacturing operations, consulting firms, retail stores, service centers, and franchised centers. When you next purchase a product or service, chances are that you will buy it from a small business.

5. Many individuals dream of going into business for themselves. Visions of owning and operating a small business and the possibilities of making large sums of money, being your own boss, and achieving success is an ambition that many people have.

6. Approximately 500,000 new firms are created each year in an attempt to fulfill the dreams of operating one's own business. Most small businesses begin with a dream, but only those individuals who are willing to take the risk and pay the price to help make those dreams come true are the persons who eventually succeed.

7. Those individuals who succeed in the creation of a new enterprise possess characteristics and traits that make them stand out in a crowd. These individuals, by definition, are known as entrepreneurs.

8. Becoming an entrepreneur and owning a small business can be a rewarding experience. The ability to develop a plan of action, implement that plan, and make it work are the most self-satisfying attributes of an entrepreneural endeavor.

9. Success as an entrepreneur requires many special qualities and skills. Technical skills along with the ability to communicate effectively, organize business operations, development of good decision making practices and enthusiasm in the particular field of business are but a few of the attributes that contribute toward the fulfillment of the dream. Do you have the skills and abilities that are most often associated with successful entrepreneurs?

10. Many entrepreneurs fail as a result of avoidable inadequacies on the part of the individual. Individuals comtemplating a business of their own should consider employment in a similar type of business to gain first hand experience within the field.

11. Communication skills are essential to most entrepreneural endeavors. The ability to communicate with customers, employees, and suppliers can make the difference between success or failure of a small business.

12. The ability to organize is of great importance. To be able to manage effectively and allocate resources and maintain an effective management information system is a must in today's fast moving, high technology society.

13. Entrepreneurs are continually confronted with a variety of problems. The ability to accept and deal successfully with a series of situations is one of the keys for survival of a new enterprise.

14. The inner compulsion to succeed is an imperative for the entrepreneur. The successful entrepreneur refuses to give up even when the situation looks hopeless.

15. But an individual should also consider the realities of entrepreneurship and the demands which business ownership places on an individual.

16. Often times long hours, routine chores, and changes in one's lifestyles are inherit to certain business ventures. The entrepreneur must be willing to accept these challenges.

17. Any entrepreneur activity is subject to the fluctuations and uncertainty of the open market. The greatest risk of any business activated is that of business failure, especially a small business where the loss of investment capital must be absorbed by only a few individual persons.

18. The failure of a small business may be a blow to the self esteem of an individual and their family. Failure is not an easy situation to handle, but this too can be a "reality of entrepreneurship." Why do individuals fail?

19. The major cause of business failure is found in the person's managerial incapacity. The able entrepreneur utilizes his or her time wisely and gives proper attention to the various managerial functions.

20. Some qualified entrepreneurs are doomed from the start. Other entrepreneurs encounter business problems that exceed their ability or resources. Thus, thousands of small businesses close their doors each year.

21. Other difficulties that may be faced by the entrepreneur include the intensity of competition, lack of adequate capital, poor choice of location, and premature expansion of the business.

22. The first two years of operation are the most critical. The vast majority of failures occur during this time. Studies indicate that if a small business operates successfully for five years, its chances for continued success are enhanced.

23. Your instructor would now like to discuss further the personality characteristics of the successful entrepreneur and the success and failure factors that play an important role in small business ownership.

24. The person who does not plan a future course of action is not likely to have one. As Confucius once said: "The cautious seldom make mistakes!"

25. A business plan helps the potential entrepreneur think through the venture and evaluate its strengths and weaknesses.

26. The business plan will help you make the final decision about entrepreneurship and, if you open the business, it will serve as an operating plan to guide you through the early years which are critical to the success of the business.

27. The business plan is made up of different parts of the puzzle, but each part of the planning puzzle fits together and provides information for decision making purposes.

28. The first part of our puzzle is to define the business venture. The business most likely to succeed is one which is based on a product or service that customers will pay for in order to generate a profit; however, the basic purpose of a business is to satisfy customer needs and wants.

29. Many individuals fail in small business because they attempt to do too many things with their business. As a result they do not give adequate attention to all the activities necessary to be successful. Your business cannot be all things to all customers.

30. In defining the small business, it is important to determine who or what is your market. Firms spend large amounts of money conducting marketing research. But just because potential customers say they need and want a product or service, there is no assurance that once the business is open that the customers will be there.

31. Image plays an important part in defining the enterprise. What makes or creates the image of the potential business? The answer is everything associated with the business. This would include the appearance of the business, personnel, management policies and the entrepreneur's method of doing business.

32. The development of a target market is the second part of the puzzle. The business plan should identify whom you want to buy your products or services.

33. The market for a business is not comprised of all people within a geographic area, but only those who need a product or service and are willing and able to purchase it.

34. An entrepreneur should never stop studying their target market. Remember that the market is dynamic and customers' buying habits change, new products replace old products, and new services are being continually developed.

35. Another piece of the puzzle involves competition. If competitors are serving the same market, it must be decided if the market is large enough to support one's business as well as the competitors'.

36. The potential entrepreneur should also determine how his or her product or service is different from their potential competitors. The question that should be answered is "Does my product or service differ to an extent at which I can market that difference in order to gain the competitive edge?"

37. The development of the financial portion of the business plan is the most critical part of the puzzle. The financial estimates will answer an important question: "Is the planned business feasible?"

38. This part of the planning puzzle can be divided into two parts. First, how much money will be needed to open the doors of this new business, and secondly, where will the money come from?

39. In developing an answer for the first part, how much money will be needed, the potential entrepreneur will have to determine the start-up costs or the financial outlays that will have to be made prior to opening day. This will also include the financial reserves that will be needed before the business begins.

40. To determine the start-up costs, an estimate of the sales volume for the first year will have to be made and an estimate of the potential expenses for the same period of time.

41. The two major categories of start-up costs are one time costs and continuing costs. One time costs are expenses that will not have to be repeated once the business is underway. Continuing costs must be paid both at the beginning and throughout the life of the business.

42. The entrepreneur should plan to have enough cash on hand to pay continuing costs for more than just the first month. The entrepreneur should be prepared for at least the first three months of expenses for the business.

43. The entrepreneur will almost certainly have to invest a sizable amount of personal money into the business. In most circumstances, the entrepreneur will be asked to provide 15 to 20 percent of the funds needed.

44. The second part of the financial puzzle, where will the money come from other than the amount the entrepreneur puts into the business. In most cases, the entrepreneur must turn to debt financing or borrowing the funds.

45. Possible sources of funds for a small business range from commercial banks, vendors, equipment manufacturers and distributors, to the small business administration. Many potential sources are available to the entrepreneur who searches them out.

46. The potential entrepreneur cannot be sure of obtaining a loan, but if prepared when going into lending institutions, the chances are much greater that a loan will be secured.

47. A potential lender will take into consideration the four C's of credit when evaluating an applicant. The four C's include your character, your capacity, your capital, and your credit.

48. Small businesses operate within a framework of laws which regulates their relationships with customers, suppliers, and other parties in business dealings. This part of the planning puzzle can affect the manner in which the business is run.

49. The legal issues in starting and operating a small business are numerous and may necessitate legal advice. Many potential entrepreneurs do not take into account the laws and risks that may eventually affect their business.

50. Operating any business involves taking a risk or being exposed to losses. Many business risks are insurable. Insurance provides one of the most important means of protection against business losses and/or legal actions.

51. Too often the small business fails to carry sufficient insurance protection and the entrepreneur does not have adequate insurance protection in advance of a loss rather than after the occurrence of the event.

52. Another issue of legal responsibility for the small business is taxes. The primary tax responsibility is to pay all legally required taxes. In paying taxes, the business is both an agent and a debtor. As an agent one withholds and pays taxes owed by others. As a debtor, the business pays taxes for which it is directly liable.

53. Other legal aspects that may affect the operation of a small business include trademarks, patents, copyrights and libelous statements.

54. The last part of the planning puzzle involves selecting the location for the business. Location is one of several factors which is vitally important to the success or failure of the business.

55. There are two basic aspects of selecting a location for a business. First, it must be decided on the particular community in which to locate, and secondly the selection of a particular site within that community.

56. The location decision of a small business is generally affected by personal preferences. There are certain values in selecting a hometown location, but every business opportunity should be evaluated to avoid an unwise decision.

57. Determining and finding the personnel resources for the small business is another part of the planning puzzle. Selecting satisfactory employees can be a time-consuming chore even for entrepreneures looking for one or two employees.

58. Knowing the aptitudes and skills you need in an employee is important. Even if the business doesn't plan to hire additional personnel until a later date, the entrepreneur needs to establish policies for selecting the best applicant for each job.

59. Your instructor would now like to discuss further the development of your business plan, by putting all the pieces of the planning puzzle together.

60. To function effectively, a small business requires leadership and decision making. In the typical small business that involves more than one person, the entrepreneur provides direction by activities described as management functions.

61. The entrepreneur must reach decisions concerning all aspects of the business. Although these decisions may be based upon intuition, experience, facts, or a combination of these, all information must be gathered–along with necessary data–to make an intelligent decision.

62. The general functions of management include the process of planning, organizing, staffing, directing, and controlling.

63. The planning function is concerned with the formulation of objectives, policies, programs, and procedures for the small business.

64. The organizing function includes the allocation of tasks to organizational units and individuals and the delegation of authority.

65. The staffing function refers to the selection and development of employees and executives.

66. The function of directing includes such activities as order giving, supervising, leading, motivating, and communicating.

67. The controlling function involves the evaluation of operating results, followed by an action to correct any results that are not measuring up to expectation.

68. Of these management functions, perhaps the most important is that of planning. Even though planning is done during the developmental stages of the business, often times this function is forgotten as the pressure of other activities of the business are exerted on the entrepreneur.

69. The steps in planning include recognizing the problem, collecting and analyzing of the facts and data, developing a tentative decision among possible alternatives, testing the practicality of the tentative plan, and selecting and implementing the final plan.

70. Business policies are plans that serve as guides for the entrepreneur. Although policies may be unwritten, there are advantages to having them in writing.

71. Short-range goals are essential to long-range planning. Short-range goals are the measuring device to reach long-range plans.

72. Long-range planning is necessary to avoid hit or miss decisions in the enterprise. Too often, this process is left undone.

73. Business forecasting attempts to look into the future and to determine the probable course of business activity and of industry and enterprise sales.

74. Such a knowledge of future sales is an essential point for both short-range and long-range planning by the entrepreneur.

75. If a business does not forecast its future performance and future needs, it will probably not be able to take advantage of opportunities for growth and development.

76. Successful competitors will be planning for the future. If a business is to enjoy continued success, it must be able to cope with change.

77. Information and assistance are available to the entrepreneur for the success of your business. Do not be afraid to ask or seek help from all the various resources open to you.

78. Basic management assistance is available to entrepreneurs from the S.B.I. (Small Business Institute) and SCORE (Service Corps of Retired Executives) programs which are sponsored by the Small Business Administration (S.B.A.). Seek their help and advice in planning and running your business.

79. (Credits)

80. (Disclaimer/Rewind)